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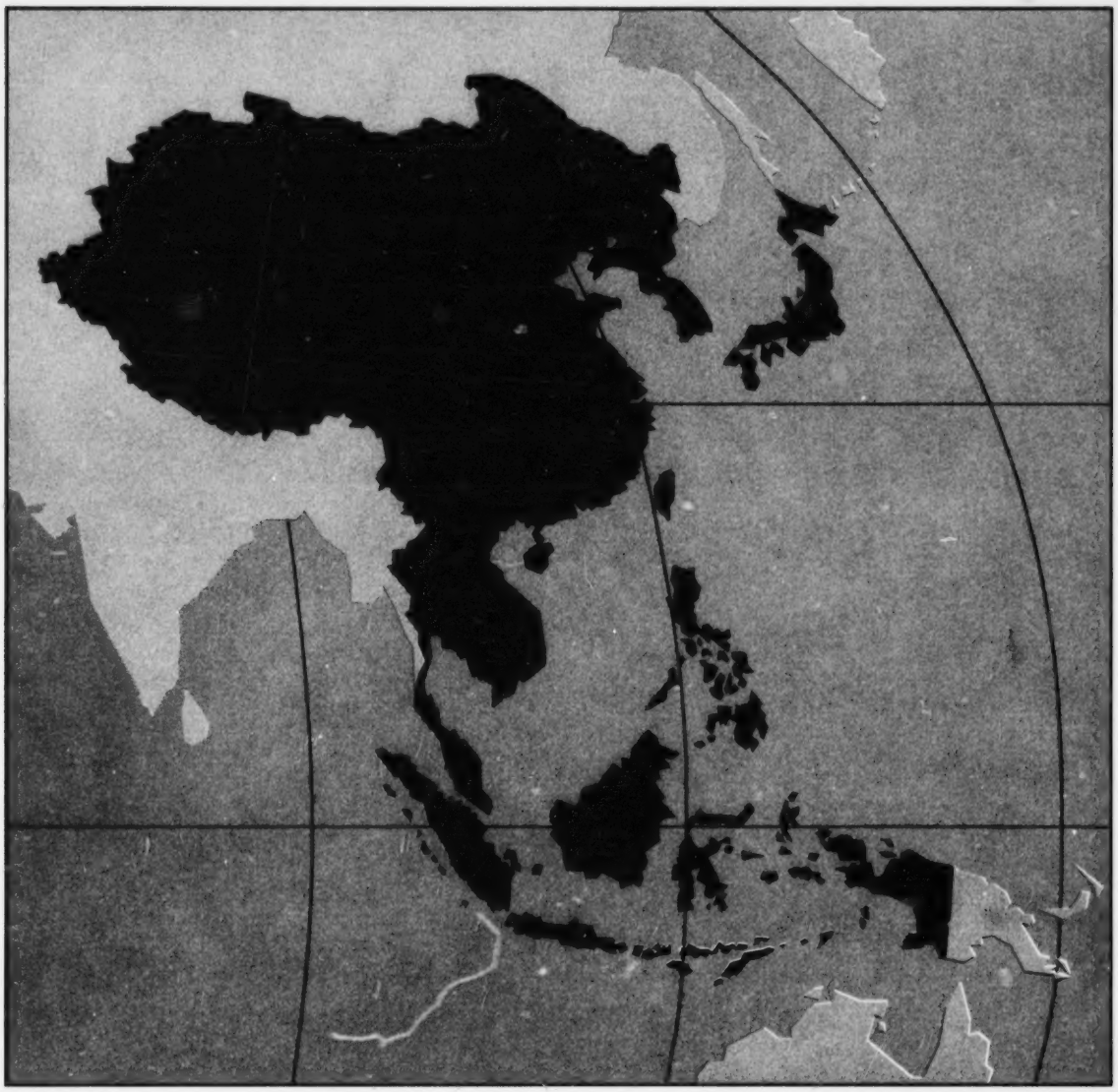

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— ROK Efforts in Obtaining Foreign Commercial Technology Chronicled
— Indonesia's Government Urged To Reduce Cost of Economy
— Vietnam Reports Losses in Rice Export Earnings

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PACIFIC RIM ECONOMIC REVIEW
9 March 1994

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JAPAN

Auto Industry

FEATURE: Auto Industry Firms Receiving Employment Subsidies

Battered by Japan's prolonged economic slump, numerous firms in three auto industry sectors--finished car makers, auto-body manufacturers, and auto parts makers--are temporarily shutting down operations and initiating "one-time layoffs," according to media reports. An increasing number of large industry firms are joining smaller companies in receiving government "employment adjustment subsidies" to offset labor costs associated with the layoffs.

According to the 6 January NIHON KEIZAI SHIMBUN (NIKKEI), Japan's auto industry is "reeling" from the fall in domestic demand for new cars because of the prolonged recession. On 5 January, the Japan Automobile Dealers Association announced that domestic auto sales in 1993 fell for the third straight year to a six-year low. Sales of cars (excluding minicars), trucks, and buses totaled 4,887,179 vehicles, down 8.4 percent from 1992, and the lowest level since 1987. The paper adds that sales have fallen nearly 18 percent from their peak in 1990.

Auto exports also have fallen sharply. According to the Japan Automobile Manufacturers Association, in January 1994 auto exports fell by 26.5 percent compared to January 1993 to 390,418 vehicles, the tenth consecutive monthly decline, the 25 February NIKKEI reports. This is the largest drop "since statistics have been collected" and the lowest number of vehicles exported in the month of January since 1979. Further, the monthly value of both auto and auto parts exports fell 12.6 percent to just over $6.5 billion, the fifth consecutive monthly decline, the paper notes.

Companies Forced To Initiate Temporary Layoffs

According to the 20 November 1993 ASAHI SHIMBUN, because of the prolonged slump, the auto industry is faced with "excess personnel and production capacity." However, given Japan's lifetime employment system, companies are unable to simply fire workers and are looking for other means to lower labor costs. One means companies have resorted to, according to ASAHI, is "one-time," or temporary layoffs. Under this arrangement, to reduce production without actually firing excess personnel, firms require that designated workers take temporary layoffs, during which plant operations are halted. Firms must pay an "operations shutdown allowance" equal to or more than 60 percent of the employee's average salary, as required by the Labor Standards Law.

To help firms in selected industries during recessionary downturns, in 1975 the Japanese Government initiated an "employment adjustment subsidy system" through which the Ministry of Labor (MOL) pays companies a subsidy to offset labor costs "during temporary layoffs, retraining, and employee transfers," ASAHI notes. To receive these subsidies, firms must first be "designated" as being in an industry sector experiencing difficulties by the MOL, after which the firm must specify the conditions of its temporary layoffs and petition the MOL for the subsidies. This designation is effective for 1 year, after which the industry may be redesignated by the MOL for another year.

Large Number of Industry Firms Receiving Employment Subsidies

In the auto industry, the auto-body manufacturing sector received MOL certification for employment adjustment subsidies in late January 1993, according to the 6 February 1993 NIKKEI, following an appeal by the Japan Auto-Body Industries Association, which represents 218 firms. The MOL eligibility designation was set to expire on 31 January 1994, but, according to the 15 February 1994 NIKKEI SANGYO SHIMBUN, the MOL "redesignated" the auto-body sector for another year. On 1 May 1993 the finished auto assembly sector and the auto parts manufacturing sector were also added to MOL's list of industries eligible for employment adjustment subsidies, according to the 3 May 1993 NIKKEI WEEKLY.

Since the designations were made, the number of companies utilizing one-time layoffs has been increasing, reports the 15 February 1994 NIKKEI SANGYO. According to MOL statistics, the number of finished car makers (including some auto-body assembly firms) who petitioned for labor adjustment subsidies to pay for temporary shutdowns and layoffs mushroomed in late 1993, from five firms in November to 21 in December covering 26,785 employees. As these firms halted production, in a ripple effect, an increasing number of auto-body and auto parts firms have had to initiate work stoppages, NIKKEI SANGYO reports. The number of auto-body firms undertaking work stoppages in November expanded to 12 and then to 20 firms, while the number of targeted personnel increased from 990 to 1,515.

Auto Parts Firms Particularly Hard Hit

Auto parts manufacturing firms have been particularly hard hit by the downturn, according to the 27 January NIKKEI SANGYO. The number of parts companies planning work stoppages more than doubled, from 136 firms in October to 280 in November, while the number of employees involved jumped from 30,382 in October to 79,201 in November. Further, according to the 15 February NIKKEI SANGYO, the numbers increased again from November to December, from 280 to 361 firms. NIKKEI SANGYO adds that the finished car and auto parts industries do not expect the number of firms requesting subsidies to fall "any time soon."

Press Reports on Companies Initiating Layoffs, Requesting Subsidies

Although a number of small auto industry firms applied for subsides soon after the MOL made its designations, until October 1993 no major company had applied. Subsequently, a number of larger auto-related firms plans to initiate temporary layoffs and apply for employment adjustment subsidies. According to press reports, the following companies have initiated temporary layoffs and have received employment adjustment subsidies:

Nissan Motor Co.--According the 26 October MAINICHI SHIMBUN, Nissan announced plans to apply for subsidies after revealing that it would stop production for two days in November on one line at its Tochigi assembly plant, which employs 6,500 people, and institute temporary layoffs on those days to 2,100 production workers. In November, Nissan announced it would expand the scope of temporary layoffs to include "virtually all" domestic production lines. The 18 November MAINICHI SHIMBUN reports that Nissan decided to target nearly 15,000 employees and five plants for two-day shutdowns in December, which would cut production by nearly 4,000 vehicles.

In December, Nissan announced it would continue to conduct temporary layoffs and production shutdowns in January and February, according to the 18 December YOMIURI SHIMBUN. In January, Nissan had shutdowns for three days at its Murayama and Yokohama

plants, two days at its Tochigi plant, and one day at its Kyushu plant. In February the company planned layoffs for two days at its Tochigi and Kyushu plants and one day at the Murayama plant. According to YOMIURI, the Murayama plant will have been closed six days during four consecutive months of temporary shutdowns.

Mazda Motor Corp.--According to the 26 October MAINICHI, Mazda decided to initiate temporary layoffs of two days in November for 25,000 of its nearly 30,000 employees throughout the country. MAINICHI reports that Mazda also applied for employment adjustment subsidies. The 25 December YOMIURI SHIMBUN reports that Mazda, following its November layoffs, planned to have four days of layoffs in January at its Hofu plant. Mazda, which is heavily dependent on exports, has seen its sales fall for fourteen consecutive months.

Nissan Diesel Motor--According to the 23 November 1993 NIKKEI, Nissan Diesel, a heavy-duty truck and bus manufacturer, announced it would initiate two days of temporary layoffs involving nearly 3,700 employees at three different plants. The company also stated it would apply for government employment adjustment subsidies, and also announced it had reached agreement with its labor unions to cut yearend bonuses.

Sumitomo Wiring Systems--The 26 January 1994 CHUBU SHIMBUN reports that Sumitomo Wiring Systems, the third largest manufacturer of auto wire harnesses, will initiate one-day shutdowns in February and March, affecting more than 4,700 employees. The firm plans to apply for employment adjustment subsidies from the MOL. The shutdowns will cover all of the company's offices and eight plants in Japan. It has seen orders for wire harnesses, which account for over 90 percent of total sales, plummet nearly 20 percent since 1990. If orders do not recover soon, the firm may extend its planned shutdowns beyond March.

Tsuchiya Manufacturing Co.--According to the 24 January 1994 NIKKEI SANGYO, Tsuchiya, an auto parts maker affiliated with Nissan, plans to stop production for two days a month at its main plant in Kawasaki City. During this time, the salary of full-time employees will be covered by employment adjustment subsidies, but the salaries of temporary and part-time employees will be reduced on a prorated basis. The Kawasaki plant, which among other things produces fuel, oil, and air filters, accounts for nearly one-third the firm's total sales. The work stoppages will continue "until demand for auto parts has recovered," according to company officials. Further, the company is considering work stoppages at other plants where productivity is low.

Other Suppliers Receiving Subsidies Under Different Designations

Other major suppliers to the auto industry have resorted to temporary layoffs and have accepted employment adjustment subsidies under other industry designations. Two major examples, from the rubber and steel industry, are as follows:

Bridgestone Corp.--The 3 December 1993 NIKKEI reports that Bridgestone, the world's second largest tire manufacturer, announced that it would initiate three and four days of temporary layoffs at the end of December at nine of the its ten tire plants in Japan. The firm will also apply for subsidies. Layoffs could cover 9,500 employees, or nearly 60 percent of the firm's total payroll.

According to NIKKEI, the tire industry received its MOL designation at the end of November, and "this is the first time temporary layoffs have taken place in the tire industry." Earlier, Bridgestone decreased the number of operating days from seven to five per week, but even this measure failed to compensate for the "severe" drop in demand for tires.

Daido Steel Co.--The world's largest maker of specialty steel and a major supplier to the auto industry, particularly to Nissan, Daido announced it would receive subsidies for temporary layoffs of nearly 4,000 personnel at four plants at the end of December and in early January, according to the 11 December 1993 YOMIURI SHIMBUN (Chubu edition). While the firm had undertaken temporary layoffs at its Kawasaki plant, this is its first "large-scale" employment adjustment. Daido's sales have fallen for three consecutive years. Maurice C. 733-5713

Economic Trends

FEATURE: Keidanren Role Likely To Change Under New Chairman

On 7 February the Federation of Economic Organizations (Keidanren) selected Shoichiro Toyoda, chairman of Toyota Motor Corp., to succeed Gaishi Hiraiwa as Keidanren chairman, according to press reports. While Toyoda chairs Japan's largest manufacturing firm, some industrial leaders express concern whether he can successfully lead Japanese industry because of his personality and Toyota's unusual corporate culture. The press anticipates that under Toyoda's leadership, Keidanren will become an "ordinary economic organization" representing the interests of private business, rather than acting as a coordinator between politicians, bureaucrats, and the business community.

On 7 February Keidanren chose Shoichiro Toyoda (68 years old), chairman of Toyota Motor Corp. and a Keidanren vice president, to succeed Gaishi Hiraiwa when he steps down as Keidanren chairman in May, according to the 8 February NIKKEI SANGYO SHIMBUN. (The company name is rendered "Toyota"; the legal family name is "Toyoda.") While industrial leaders generally welcomed Toyoda's selection, they also expressed concern, based on his background as the owner and chairman of Toyota Motor, according to the 8 February MAINICHI SHIMBUN. The 8 February NIKKEI SANGYO quotes an unidentified industrial leader as questioning Toyoda's ability to break free from "Toyota egoism" and lead Japanese industry from a "broader viewpoint." Writing in the 10 February NIKKEI SANGYO, editorial staff writer Atsushi Suemura asks whether the head of Toyota, which is often said to have a "Mikawa (the old name for Aichi Prefecture) Monroe doctrine--we don't interfere with you, so don't you interfere with us"--is qualified to lead the entirety of Japanese industries.

The 8 February NIHON KEIZAI SHIMBUN (NIKKEI) reports on the expectations--"which also reflect the concerns"--industrial leaders have concerning Toyoda. Masaru Hayami, chairman of Japan's Association of Corporate Executives (Keizai Doyukai), states that he wants Toyoda to exhibit strong leadership "apart from the interests of the auto industry." Kosaku Inaba, chairman of the Japan Chamber of Commerce and Industry, says that the key lies in "how well Toyoda can balance" the interests of various industries and the interests of consumers and corporate shareholders, not as the manager of Toyota Motor, which has "always defended the interests of Toyota and the auto industry," but as a leader of all industries.

Concerning Japan-U.S. trade issues, Yoshinari Yamashiro, chairman of steel firm NKK Corp., notes that Japan-U.S. friction "is the Japan-U.S. automobile problem," according to the 8 February NIKKEI, implying that Toyota Motor should change its corporate philosophy and

behavior to ease Japan-U.S. trade friction. The article adds that Toyota Motor "symbolizes" Japan's large trade surplus.

Where Will Keidanren Go Under Toyoda's Leadership?

Writing in the 15 January ASAHI, economic reporter Yomei Tsuji speculates that Keidanren may become an "ordinary economic organization" under Toyoda's leadership. Tsuji assumes that Keidanren will abandon its function of channelling corporate political contributions to the political parties. Since Toyota Motor has devoted itself to manufacturing and selling cars from its Aichi Prefecture base and has avoided involvement in politics in Tokyo, Tsuji expects Toyoda to be effective in "changing Keidanren's relationship with politicians."

In addition, unlike previous Keidanren chairmen who came from the steel, heavy machinery, or electric power industries, industry sectors which were "sponsored" by the government, Toyoda is a representative of "true" private sector firms in Japan. A change in Keidanren's chairmanship from a leader of state-sponsored industry to a private industry leader, Tsuji maintains, means that Japan's economy has been "taken from the government's hands." He also notes that since Toyoda comes from the auto industry, which must sell to consumers directly, Keidanren under Toyoda is expected to pay more attention to consumer interests, unlike his predecessors, who spoke about "national interests" as leaders of "Japan Inc."

Writing in the 8 February NIKKEI, editorial staff writer Kazuo Mori notes that Toyoda's Keidanren will no longer play the role of coordinating interests between industry, the politicians, and bureaucrats. Indeed, now it will be difficult for Keidanren to coordinate interests even within private industry. Mori notes that Toyota is an "owner-managed firm, which tends to compete fiercely and to pursue only its own interests," even though it has become a "giant." He observes that the Keidanren's selection of Toyoda indicates that "competition based on market principles" will be emphasized by corporations more than ever. Japanese practices that hinder competition, Mori notes, such as implementing policies through discussions among political, bureaucratic, and industrial circles, "will be avoided."

Press Urges Toyoda's Keidanren To Promote Deregulation

On 7 and 8 February, NIKKEI, SANKEI SHIMBUN, ASAHI, MAINICHI, and YOMIURI carried editorials on Toyoda's selection. All the editorials urge Keidanren under Toyoda's leadership to promote deregulation. For example, ASAHI points out that Japan's auto industry has grown to the level of the U.S. auto industry because of "self-initiated technical innovations and rationalization efforts," not by support from the government, and urges Toyoda to "boldly promote deregulation." MAINICHI, noting that Toyoda himself was a member of the Hiraiwa Study Group, urges him to take the initiative in pressing the government to implement the Hiraiwa Report and "further promote deregulation." YOMIURI also asks Toyoda to promote deregulation to change Japan's economic structure, under which "corporations compete for market share or conduct business in a collusive manner."

SANKEI's editorial notes that Keidanren also must change its role of being a coordinator between government and industry to being "a representative of private companies." Through channelling corporate contributions to the Liberal Democratic Party (LDP) the past 40 years, Keidanren has "directly and indirectly influenced government policy formulation," but it now has to "deal directly with government regulators." The editorial urges the Keidanren under Toyoda "not be passive" toward the government concerning regulations and administrative guidance, but rather "assert its opinions and act as the leader of private firms in protecting private sector vitality."

Profiles Note Similarities Between Toyoda, Hosokawa

The 17 January CHUNICHI SHIMBUN points out the many similarities between Toyoda and Prime Minister Morihiro Hosokawa, such as being from a well-known family, from a regional city, and "somewhat amateurs in their respective new fields," but also observing that "the era requires such leaders." Toyoda is from a rich family--the eldest grandson of Toyota founder Sakichi Toyoda--and has reached his current position "without any political or financial support from the outside." He is viewed as an honest and sincere person, the paper notes, "but not a tactician or a charismatic leader." Since he has been far removed from Tokyo, Toyoda reputedly has not been involved in politics and "is not close to a political party or politicians." He is also viewed as an "amateur" industrial leader, because he had not been involved in the activities of any economic organization before becoming a Keidanren vice chairman in 1990. Toyoda has a doctorate in mechanical engineering and is an accomplished engineer.

According to the 8 February CHUNICHI, Toyoda's stances on various issues are as follows:

--Political contributions: Toyoda thinks politicians should receive government support and individual contributions rather than contributions from business. He realizes this will "disconnect" collusion within in the so-called "iron triangle" of politicians, bureaucrats and corporations.

--Japan-U.S. trade: Toyoda believes that Japan and the United States should build a trade relationship based on "harmony and competition." He has opposed setting numerical targets for Japan's imports of automobiles and auto parts.

--Economic structural reform: He believes that corporations should promote self-help efforts to restructure themselves as their own responsibility, while the government should make the Japanese market more open and fair by deregulation. Yukiko I. 733-6528

FEATURE: Welfare Payment Increases Will Offset Tax Cuts for Households

Japan's proposed increases in welfare and national annuity premium rates will lessen the stimulative effects of the government's proposed income tax cuts on the consumption of working households, according to press reports. The total increase in premium payments is estimated to be equivalent to one-fourth the total estimated gain in disposable income from the income tax cuts, thus largely offsetting tax cuts for average-income working households. The Ministry of Health and Welfare (MHW) claims, on the other hand, that retirees will receive annuity increases that slightly exceed the total amount of premium increases.

The MHW has drafted a bill to reform the welfare annuity program (for private sector wage earners) and the national annuity program (for the self-employed, students, and people without jobs) which includes premium rate increases in FY94, according to the 18 February NIHON KEIZAI SHIMBUN (NIKKEI). The draft bill will be submitted to the Diet in mid-March for deliberation. According to the MHW draft, the welfare annuity premium rate will increase from the current 14.5 percent (split equally between employer and employee) to 16.5 percent of monthly salaries effective in October 1994, increasing to 17.35 percent effective October 1995,

and a new payment of 1.0 percent (split between employer and employee) of each bonus payment effective in April 1995. Regarding the national annuity premium, the current premium amount, which is a fixed 10,500 yen ($100), will be raised to 11,100 yen ($106) per month effective April 1994.

The 26 February NIKKEI reports that total welfare and national annuity premium payments by working households will increase by 1.4 trillion yen ($13.3 billion) a year, which is nearly equivalent to one-fourth the estimated 5.5 trillion yen ($52.4 billion) in income tax cuts specified in the 8 February economic stimulus package. According to MHW's calculations cited by NIKKEI, the total amount of welfare annuity premiums will increase by approximately 2.6 trillion yen ($24.8 billion) a year, assuming an average worker's monthly salary of 340,000 yen ($3,200) and 33 million wage earners. Of this 2.6 trillion yen ($24.8 billion), 1.3 trillion yen ($12.4 billion) will be paid by wage earners, since employers and employees equally split premium payments. The MHW also anticipates that total national annuity premiums will increase by 100 billion yen ($952 million) a year.

Premium Hikes Will Wipe Out Tax Cut Gains for Average-Income Families

According to the 15 February NIKKEI, working households with annual incomes below 6 million yen ($57,000) will realize little benefit from the income tax cuts due to increases in annuity premium payments and other public levies. Moreover, while the income tax cuts are only for FY94, the premium increases "will be permanent." In the case of a household with an annual income of 6 million yen ($57,000) or below, an income tax cut of around 71,400 yen ($680) or less "will be largely offset by the increased welfare annuity premium payments." Although the MHW claims that welfare annuity recipients over 60 years of age will receive 5 percent more in benefits from FY94, and therefore the total household disposable income will increase by 3 trillion yen ($28.6 billion), NIKKEI argues that incomes will increase "at the cost of increased burdens for all working households."

More broadly, the NIKKEI article notes that FY94 may be a "losing year" for working class households with children in school, since postal rates have recently increased; a 9-percent increase in national university tuition has been proposed for 1995; and an increase in Tokyo expressway tolls has been proposed. The paper concludes that even when workers want to have a bottle of beer after a hard day's work, a 8.9 yen ($.08) tax increase per bottle will "hurt their thin wallets." Yukiko I. 733-6528

FEATURE: Economic Organizations Critical of MITI 'Interference'

The Ministry of International Trade and Industry (MITI) reportedly faxed a memorandum to four major private economic organizations summarizing the "important points" of the latest government economic stimulus package as well as "model comments" to be made by the heads of the four organizations before the Hosokawa Cabinet approved the package on 8 February, according to press reports. A NIHON KEIZAI SHIMBUN article on 15 February reported that the economic organizations were very critical of MITI's "interference" concerning comments by their leaders. An editorial in that newspaper the same day sharply criticizes MITI for "excessive guidance" of the private sector, observing that it is "quite ironic" that under the Hosokawa administration, which advocates deregulation, the bureaucrats' control of the private sector "appears to have been strengthened."

Major economic organizations are very critical of MITI's "interference" concerning comments by their leaders on government economic policies, according to the 15 February NIHON KEIZAI SHIMBUN (NIKKEI). MITI reportedly faxed a memorandum summarizing the "important points" of the latest government economic stimulus package and "model comments" to the offices of four leading private sector economic organizations--the Federation of Economic Organizations (Keidanren); the Japanese Association of Corporate Executives (Keizai Doyukai); the Japan Federation of Employers' Association (Nikkeiren); and the Japan Chamber of Commerce and Industry--on the afternoon of 8 February, a few hours before the Hosokawa Cabinet approved the stimulus package. The fax reportedly emphasized the "importance" of "praising measures like the income tax cut" and "supporting the government's policy" of cutting direct taxes and increasing indirect taxes. According to the NIKKEI article, the "model comments" for use by the heads of the four economic organizations included: "We highly praise the courageous decisions of the government and coalition to include an income tax cut in the stimulus package."

Although MITI defended its action with the assertion that it "never intended to force" the organizations to use MITI's comments, NIKKEI reports that the economic organizations are "annoyed" by the fax, which "sounded like an order" for them to use MITI's comments. The article notes that "this is the first instance" of MITI actually sending a document instructing the economic organizations what to say, although in the past MITI telephoned them to request that they make comments "favorable" to MITI.

According to a "source connected with an economic organization" cited by NIKKEI, "bureaucratic interference" concerning comments by leaders of the economic organizations "assumed prominence" in December 1993, when Jiro Saito, Ministry of Finance vice minister, and Hideaki Kumano, MITI vice minister, visited the four organizations to "explain" the government's policy of income tax cuts to be paid for by increases in the consumption tax.

Editorial Blasts Fax as Example of MITI's 'Excessive Guidance'

NIKKEI's 15 February editorial, which is headlined "Appalled by MITI's Excessive Guidance," is very critical of MITI, noting that its fax "reminds us of an 'education mama' teaching a two-year-old with simple words." However, it observes, "the postwar period, in

which Japanese industries were rebuilt under strong MITI guidance, has already ended." "MITI's excessive guidance," the editorial continues, is an "extreme anachronism." "MITI may think that it can freely control private economic organizations with its guidance, but such presumptuousness is no longer acceptable." The editorial urges MITI to "realize that excessive guidance is now one of the causes hindering the vitality of Japanese industries."

The editorial also points out that MITI's fax "may be cited by the U.S. Government" to prove its assertion that "bureaucrats control the Japanese economy." It notes that during the recent Japan-U.S. framework talks, the U.S. Government criticized Japanese bureaucrats for "controlling the Japanese economy and hindering deregulation."

The editorial concludes that it is "quite ironic" that under the Hosokawa administration, which advocates deregulation, bureaucrats "are gaining more power" and their control of the private sector "appears to have been strengthened." The editorial demands that MITI "reflect gravely on its conduct." Yukiko I. 733-6528

Environmental Issues

Thirty Small Industrial Waste Companies Form Cooperative

About 30 small-scale manufacturers of industrial waste treatment equipment and industrial waste disposal companies from the Tokyo Metropolitan Area and Nagano, Kanagawa, and Shizuoka Prefectures have joined together to form a cooperative association which will pursue contracts for building final industrial waste disposal facilities and conducting R&D activities. The "Cooperative Association for Promoting Environment-Related Enterprises" will be established with an investment of 10 million yen ($96,000) and will be chaired by Yoshinori Ito, president of Kankyo Seibi Shinko, an environmental equipment firm.

The companies decided to form this "unique" cooperative because as independent firms, each has limited financial resources and thus can not qualify for special programs sponsored by public corporations, such as the Japan Environment Corporation, to finance work for improving disposal facilities to conform with stricter environmental regulations. The cooperative plans to expand its membership to about 1,000 companies and establish a network of branch chapters throughout the country. (Tokyo NIKKAN KOGYO SHIMBUN 17 Feb 94 p 12) Elaine S. 733-6526

Financial Issues

Nippon Credit Bank Expanding, Introducing U.S. Techniques

Nippon Credit Bank (NCB), the newest and smallest of Japan's three long-term credit banks, has established a wholly-owned trust banking subsidiary that will begin operations in April 1994, according to the 1 March NIKKEI KINYU SHIMBUN. It will be the seventh financial institution, after the "big four" securities companies and two banks, to enter the trust banking business through a financial subsidiary. Capitalized at 5 billion yen ($48 million) and with 15 employees, the new subsidiary will begin buying real-estate trusts and bank loans for resale.

NCB also established a "financial development division" within its Planning Department in February to engage in real-estate project finance and asset securitization, according to the 18

February NIKKEI KINYU. The new division will offer advice to customers on how to securitize their assets through trust banking or by setting up special-purpose companies, and will introduce the securitized products to its large bank bond purchasing customers. For now the division will focus on assisting in the securitization of a customer's better assets, but in the future it will expand to nonperforming loans, as is done by U.S. investment banks.

Establishing the new division is NCB's first step in expanding commission-earning operations that fully exploit the financial engineering techniques used by U.S. investment banks. The new division will work in concert with NCB's new trust bank subsidiary in promoting business. By bringing its customers financial engineering techniques from the United States, "smooth fund-raising will become possible" for real estate financing.

In addition, NCB is also building up its system of developing new derivative products, such as options, futures and swaps, by establishing a product-development team, according to the 25 February NIKKEI KINYU. The team's objective is to facilitate product development by addressing the need of institutional investors and average companies to hedge against interest rate and currency risks. The team will be located at NCB's interest-rate swap trading desk, the first time a long-term credit bank has set up a product-development team at a trading desk. Product development and marketing will be streamlined, with a single person in charge of both. This official will concentrate on developing products for the portfolio management of manufacturers, not just securities and insurance companies.

Although many banks separate their dealing sites and development divisions, product development is easier at a trading desk because there dealers can collect the hedging know-how of major commercial and foreign banks. NCB expects to be able to reduce the time it takes to develop a product, such as swap-related products, from design to completion in half the time this took previously. NCB plans to sell these products not only to institutional investors but also to average companies. Rachel H. 733-6523

Banks Considering Establishment of Offices in Hanoi

Several Japanese commercial banks are considering opening offices in Hanoi. The Bank of Tokyo, Sakura Bank, Fuji Bank, Tokai Bank, and Daiwa Bank, which have already opened representative offices in Ho Chi Minh City, have also begun looking into opening offices in Hanoi, Vietnam's financial administration center. These banks are expected to set up operations in Hanoi "in the next two or three years" in response to the growing number of foreign banks opening offices in both cities. Sanwa and Sumitomo banks, which are planning to open representative offices in Ho Chi Minh City in the spring of 1994, are expected to join the others in establishing Hanoi offices in the future.

The banks are considering several ways of establishing bases in Hanoi, including establishing representative offices, local offices, or liaison offices of their Ho Chi Minh City representative offices. Of the 30 or more non-Japanese foreign banks that have begun operations in Vietnam, roughly one-third have bases in both cities in the form of a branch offices, representative offices, or local offices. (Tokyo NIKKEI KINYU SHIMBUN 16 Feb 94 p 2) Rachel H. 733-6523

Former MOF Officials May Become Next BOJ Governor, Stock Exchange Head

Mitsuhide Yamaguchi, president of the Export-Import Bank of Japan (Ex-Im Bank), who entered the Ministry of Finance (MOF) in 1951 and rose to become vice minister in 1984, is rumored to be the probable candidate to succeed Bank of Japan (BOJ) Governor Yasushi Mieno

in December 1994 when Mieno's term ends. In recent years the BOJ governorship has alternated between former MOF vice ministers and BOJ "careerists." Since Mieno is a BOJ careerist, the next governor is likely to be a former MOF vice minister. Although appointing the BOJ governor is the prerogative of the prime minister, the incumbent MOF vice minister customarily recommends a candidate to the prime minister, who "almost automatically approves."

Although Yamaguchi is rumored to be the probable candidate, the MOF, BOJ and banking industry officials "are not completely sure yet." They question whether the Hosokawa administration will last until December, when Mieno steps down, and if Prime Minister Morihiro Hosokawa's "advocacy of reforms" might lead to changes in the selection process. There have been several instances in the past where the personal desires of prime ministers altered the selection process. One example was Prime Minister Masayoshi Ohira's selection of Haruo Maekawa, then vice president of the Ex-Im Bank, over MOF candidate Satoshi Sumita, president of the Ex-Im Bank at that time. As a result, Sumita had to wait for five years before getting his chance.

BOJ officials have been resistant to the custom whereby every second BOJ governor is a former MOF vice minister. A senior BOJ official is quoted as saying that the BOJ governor needs to have a "sustainable and medium-term viewpoint" of the economy and be strong enough to implement monetary policies from such a viewpoint, "regardless of what the public at large may say," implying that being a former MOF vice minister in itself is not a sufficient qualification to be BOJ governor. Some banking industry officials are also concerned that former MOF bureaucrats tend to compromise too easily with politicians. They are also concerned that former MOF officials tend to adhere to MOF--not BOJ--"priorities" and subject monetary policy to the MOF's fiscal objectives.

Yoshino Rumored To Be Next TSE Board Chairman

Yoshihiko Yoshino, president of the Japan Development Bank, who entered the MOF in 1953 and became vice minister in 1986, most likely will succeed Minoru Nagaoka, chairman of the Tokyo Stock Exchange (TSE) Board of Directors, when Nagaoka steps down in May. The chairmanship has been filled by former MOF vice ministers since 1965, when the TSE invited former MOF vice minister Teiichiro Morinaga to restore financial health to the securities industry following the so-called "securities recession" of the mid-1960's. Since likely candidates from within the securities industry have been tainted by the stock-loss compensation scandals of 1991, it is highly likely that a former MOF vice minister will become the next TSE chairman. Nagaoka has been quoted as saying that since current MOF Vice Minister Jiro Saito "plans and decides personnel moves of all former MOF bureaucrats," Saito will select a candidate from among the available former MOF vice ministers. Then, the candidate will be nominated by the TSE Board of Directors and officially elected by two-thirds of all TSE members.

Within the securities industry, however, there is strong resistance to the chairmanship becoming a "reserved seat" for former MOF vice ministers. The president of a major securities house states that "the securities industry is now capable of voluntarily promoting fairness and transparency in the stock market," so that the industry "no longer needs influential MOF retirees." Another reason for the strong resistance is that the securities industry was not happy with Nagaoka, who, in the industry's view, "adopted the MOF's position," rather than representing the securities industry, during the series of securities scandals that began in 1991. This viewpoint was particularly evident concerning the issue of establishing a securities industry watchdog organization. Nagaoka supported the MOF's idea of establishing the Securities

Exchange Surveillance Commission within the MOF, instead of an independent organization similar to the U.S. Securities and Exchange Commission, which the industry sought. (Tokyo ASAHI SHIMBUN 17 Feb 94 p 11) Yukiko I. 733-6528

MOF To Require Disclosure of 'Off-Balance Sheet' Transactions

The Ministry of Finance (MOF) has decided to require financial institutions to disclose information on the status of their so-called "off-balance sheet" transactions. The MOF has determined that the nontransparency of financial transactions not currently included in a financial institution's balance sheet--so-called "off-balance sheet" transactions," such as unlisted futures, swaps, and options--and the concomitant risk of such transactions can cause enormous instability to the Japanese financial system as a whole. Consequently the MOF will reconvene its special advisory panel in March to study the issue in detail.

"Off-balance sheet" transactions use cutting-edge financial engineering techniques to allow financial institutions to hedge against risk. Compared to more traditional financial instruments such as loans, off-balance-sheet transactions are conducive to large-volume trading across national borders and have a destabilizing effect internationally when a contract default occurs. Overseas off-balance-sheet transactions of Japanese financial institutions are said to be ballooning, which is one reason why the Bank for International Settlements (BIS) is calling for their thorough disclosure and methods of managing the concomitant risks.

Some of the issues the MOF advisory committee, "The Working Subcommittee on Financial Institution Disclosure," will consider are: whether it can establish a means for market-value assessment of unlisted "off-balance-sheet" financial products; whether risk assessment of all counterparts to off-balance-sheet transactions and comprehensive risk assessment are possible; whether overseas transactions are to be disclosed as well; and whether there is a method to demonstrate risk management methods that financial institutions are already using. (Tokyo NIKKEI KINYU SHIMBUN 24 Feb 94 p 1) Rachel H. 733-6523

Foreign Trade and Investment

CHINA

Japanese Firms Forming Broad Range of Joint-Venture Companies

Japanese economic newspapers in recent weeks have reported the formation of joint venture (JV) companies and other corporate tie-ups in China that involve a wide range of industrial sectors.

Manufacturing Sector

Nippon Alkyl Phenol, a Japan-based JV company organized by Mitsui Petrochemical Industries, the Swiss chemical company Ciba-Geigy, and Musashino-Geigy, will sign an agreement in the near future with Gaoqiao Petrochemical Company, a major Chinese petrochemical manufacturer, establishing a JV company in Shanghai to build a plant to manufacture a resin additive which uses alkyl phenol as a feedstock. The investment ratio in the JV will be Nippon Alkyl Phenol 75 percent and Gaoqiao Petrochemical 25 percent.

The new company will invest 10 billion yen ($95.2 million) to build a resin additive plant in South China with an annual capacity of 2,500 tons. The alkyl phenol used in the production of

the additive, which is an antioxidant and ultraviolet radiation absorbing agent used in resins such as acrylonitrile butadiene styrene, will be shipped from Nippon Alkyl Phenol's plant located in Mitsui Petrochemical's Chiba plant complex. (Tokyo NIKKAN KOGYO SHIMBUN 7 Feb 94 p 1)

Shiko Technical Research--The world's largest manufacturer of cooling fans used in notebook computers, Shiko has begun full-scale operations at two JV plants in China. The factories, located in Shanghai and Wenzhou, Zhejiang Province, were completed in December 1993 and employ about 100 workers each. Shiko projects that sales in FY94 from the two plants will be 1-2 billion yen ($9.5-$19 million), which would about double their FY93 sales of 1.4 billion yen ($13.3 million).

The Shanghai plant will produce cooling fans for personal computers and sell them to major electronics manufacturers in Taiwan. Production will be contracted out to the Shanghai Video Recorder Equipment Factory until Shiko officially decides on a partner in May. The Wenzhou JV plant, the "Wenzhou Golden Dragon Shiko Company," will make vibration motors for pagers which will be sold to Motorola and to Casio Computer's plant in Tianjin. The JV partner will be an individual. With the establishment of these foreign production bases, Shiko will implement a policy of "domestic production for domestic sales and foreign production for foreign sales." (Tokyo NIKKAN KOGYO SHIMBUN 16 Feb 94 p 26)

Juken Sangyo, a second-tier manufacturer of processed wood products, together with the general trading company Nissho Iwai, will establish a wood products manufacturing and sales JV company in Shanghai in April. The company, Juken Nissho China, will be capitalized at $5 million, with Juken investing 85 percent and Nissho Iwai 15 percent. The JV has obtained a 50-year lease from the Chinese Government on a 5-hectare site in Shanghai's Baoshan District. Total investment, including plant and equipment, will be about $10 million. The JV plant, scheduled to begin operation in February 1995, will use imported wood from Southeast Asian countries such as Myanmar, will cut lumber, and will manufacture plywood for export to Japan and for sale in China. (Tokyo NIKKAN KOGYO SHIMBUN 16 Feb 94 p 19)

Engineering Design, Transport, and Printing Services

Mitsubishi Heavy Industries (MHI) and **Mitsubishi Corp.** will establish a JV company on 1 April with the Baoshan Iron and Steel Co. to carry out the design work for Baoshan's No. 2 rolling mill. The JV company,"Shanghai Bao-Mitsu Metallurgical Facilities Engineering Technology Co. Ltd.," will be capitalized at about 200 million yen ($1.9 million), with the Japanese firms investing 50 percent and Baoshan 50 percent. The rolling mill, scheduled to be completed by 1996, is part of Baoshan's third-phase construction. A consortium of seven Japanese companies, including MHI, Mitsubishi Corp., and Nippon Steel, won the third-phase contract in November 1993. MHI is also establishing a JV company with Sumitomo Metal Industries in Chongqing, Szechuan, to design an electric continuous casting steel mill. (Tokyo NIKKEI SANGYO SHIMBUN 10 Feb 94 p 10)

Nippon Konpo Unyu Soko, a Japanese transportation company, together with the China Foreign Transport Nanjing Company, in late February established a JV transport company, Nanjing Nikkon Storage and Transport Co. Ltd. The JV will be will be capitalized at $3 million, with Nippon Konpo investing 51 percent and the Chinese firm 49 percent. The JV agreement will be for 20 years. Nippon Konpo hopes to capitalize on trade between Japan and the developing industrial belt along the Yangzi River. In addition, Nippon Konpo plans to establish a transportation network in China by setting up representative offices in Shanghai, Chongqing, and Guangzhou. (Tokyo NIHON KEIZAI SHIMBUN 14 Feb 94 p 11)

Nippo Ltd., an Osaka-based trading company with strong ties to printing companies, will open a wholly owned subsidiary offset printing plant in Beijing. The subsidiary, Beijing Nippo Printing Co. Ltd., will be capitalized at $2.3 million. The plant, which will begin operations in late March, will import all materials from Japan and will print high-quality four-color artwork for Japanese companies operating in China. (Tokyo ASAHI SHIMBUN 22 Feb 94 p 10)

Consulting Services

Cosmo Public Relation, a marketing consulting company, has established a JV marketing consulting company, Cosmo China Enterprise Ltd., to provide support to Japanese companies planning to enter the Hong Kong and PRC markets. The JV will be capitalized at HK$200,000 ($26,000). The Chinese partner will be a company owned by Yang Zhenhan, a former high-level Chinese Government official with experience in the machine and auto-manufacturing industries, and Tan Nushi, a former Shanghai official responsible for textiles. The JV firm will use the "personal contacts" and market knowledge of Yang and Tan to provide introductions to government organizations and business partners, and to provide business-site selection and real estate contract mediation services. The JV will have its head office in Hong Kong and a a branch office in Shanghai. (Tokyo NIKKAN KOGYO SHIMBUN 8 Feb 94 p 6)

Ikeda Hiroyoshi Accountants, an accounting firm, and **Inform**, an Osaka-based consulting company specializing in investment in China, together with the **Shanghai Yangzi International Economic Cooperation Center**, will establish a consulting company in Shanghai to target small Japanese companies that are interested in setting up operations in China. The new company, Shanghai Foreign Business Commercial Research Club, will advise small companies on the legal, accounting, and tax systems in China and sponsor regular seminars on business and personnel management, taxes, and legal issues in China. The club will not be based on capital investment but will "operate cooperatively," supported entirely by membership fees of 50,000 yen ($476) and monthly dues of 20,000 yen ($190). The club hopes to recruit 50 companies. (Tokyo NIHON KEIZAI SHIMBUN 21 Feb 94 p 15) Nowell C. 733-6519

PHILIPPINES

Shipping Firm Establishes Subsidiary in Manila

Keihin Co., a medium-sized warehousing and transport firm, has established a Philippine subsidiary, Keihin Everett Forwarding Co., headquartered in Manila. As Japanese companies have expanded operations in the Philippines, the need for shipping services has grown. Although Keihin has been handling product distribution and delivery services for Japanese companies there, establishing a subsidiary will allow it to initiate full-scale shipping services in the Philippines and expand its international transportation network. Initial annual sales for the subsidiary are expected to be 112 million yen ($1.06 million). Keihin already has subsidiaries in the United States, Singapore, Europe, and Hong Kong and resident offices in Taiwan and Australia. (Tokyo NIKKEI RYUTSU SHIMBUN 24 Feb 94 p 17) Beverly G. 733-6527

THAILAND

Canon To Expand Office Automation Equipment Production

Canon Hi-Tech (Thailand) Ltd., a Canon subsidiary that produces office automation equipment such as copiers for the Japanese, European, and U.S. markets, will expand operations this year and increase production capacity by 30 percent. In the past, when a new Canon product was manufactured in Thailand, the product was made entirely from parts imported from Japan. As production increased, the local parts content gradually increased as well. In the future, however, Canon Hi-Tech's planned expansion will permit the shift of parts production. Thus, Canon Hi-Tech will be able to develop and produce new products from scratch, with the majority of parts manufactured in Thailand. To ensure the continued high-quality of parts used in its products, in 1994 Canon Hi-Tech will bring in a technology team from Japan to handle product development.

Canon Hi-Tech was established in 1990 in Bangkok to help Canon offset the effects of yen appreciation. In 1993 the company shipped 260,000 copiers and 430,000 printers, with sales totaling 20 billion yen ($190.5 million). The expansion work will begin in March and should be completed by October 1994. (Tokyo NIKKEI SANGYO SHIMBUN 15 Feb 94 p 13) Beverly G. 733-6527

UNITED STATES

Kobe Steel, TI To Market Cladding Material in Japan

Kobe Steel and Texas Instruments (TI) have agreed to jointly market cold-rolled cladding material in Japan manufactured in the United States by TI. This will be the first introduction of cold-rolled cladding material on the Japanese market. TI, which developed its own technology to produce cold-rolled cladding material that is two to three times stronger than existing materials, decided to link up with Kobe Steel in entering the Japan market because Kobe has the aluminum and steel resources and also has "deep connections" with its consumers. The companies have already decided on one use of the cladding material--to make the stainless aluminum composite used in the canisters of induction-heating (IH) thermoses and in the pots for IH rice cookers.

Kobe Steel and TI have set a FY94 sales target of 300 tons of cladding material and a turnover of 500 million yen ($4.8 million). Matsushita Electric Industrial Co. also unofficially plans to use this cladding material in its new IH thermos. (Tokyo NIKKEI SANGYO SHIMBUN 16 Feb 94 p 17) Elaine S. 733-6526

Sumitomo Metal To Extend Technical Cooperation to Steel Rod Firm

Sumitomo Metal Industries will cooperate technically with American Steel & Wire (AS&W), a steel rod manufacturer based in Ohio. Sumitomo Metal will provide software-related support to AS&W in equipping its new high-grade steel bar mill, will help conduct various technical inspections, and also will provide operational support when the mill opens. U.S. steelmakers are considering whether to file dumping charges against Japanese firms as a measure to shut out imports of high-grade steel. AS&W decided to seek technical support from Sumitomo Metal,

with which it has previous business ties in purchasing steel rods. Sumitomo Metal, on the other hand, is seeking to establish a foothold in the U.S. market.

The new AS&W mill, which will cost an estimated $70 million and will have a production capacity of 550,000 tons annually, will produce high-grade steel bars 30-40 millimeters in size mainly for use in automobiles. Plant construction is scheduled to begin this summer, with completion targeted for December 1995. Sumitomo Metal's two-year cooperation agreement, which began in February 1994, includes a financial commitment of 100 million yen ($962,000).

Sumitomo Metal may consider expanding its cooperation with AS&W to include technical support for remodeling AS&W's existing wire rod mill and building facilities to manufacture billets. It will then follow up with consultations with AS&W on producing high-grade auto parts. (Tokyo NIKKEI SANGYO SHIMBUN 22 Feb 94 p 15) Elaine S. 733-6526

VIETNAM

Japanese Firm To Assist Marine Products Processing Company

Shinto Bussan, the importing subsidiary of Toyo Suisan, a major Japanese food products company, will expand the technical guidance it provides to the Vietnamese company that processes the marine products Shinto Bussan imports into Japan. By raising the processing level of products like shrimp and squid, Shinto Bussan can sell them directly to Japanese sushi and specialty restaurants and other retailers and make far higher profits. In this way, Shinto Bussan hopes to increase sales of products imported from Vietnam to 1.5 billion yen ($14.3 million) annually from the current 1 billion yen ($9.5 million) level.

Shinto Bussan will expand the technical guidance it provides to its production consignee, SeaProdex, a Vietnamese state-operated enterprise that processes more than 30 marine products for Shinto Bussan at eight processing plants. Shinto Bussan's imports from Vietnam constitute 20 percent of the company's total sales. (Tokyo NIKKEI SANGYO SHIMBUN 24 Feb 94 p 17) Beverly G. 733-6527

Machine Tools/Robotics

MT Sales Fell 25 Percent in 1993, December Sales Dropped 16 Percent

According to statistics compiled by the Japan Machine Tool Builders' Association, machine tool (MT) sales for 1993 totaled 531.783 billion yen ($5.06 billion), down 25.1 percent compared to 1992. Sales of lathes and machining centers dropped by 45 percent. Total domestic sales for the year came to 322.57 billion yen ($3.07 billion), down 32.0 percent, while exports totaled 209.213 billion yen ($1.99 billion), down 11.2 percent. The large decline in domestic sales raised the ratio of exports to total sales to 39.3 percent, topping the previous high of 36 percent recorded in 1986. Outstanding orders fell to 267 billion yen ($2.54 billion) at the end of 1993 compared to 354.9 billion yen ($3.38 billion) in 1992.

For December, MT sales totaled 40.054 billion yen ($381.467 million), down 16.7 percent compared to December 1992. However, this is the first time in three months that monthly sales

have risen above the 40 billion yen ($381 million) level. December domestic sales came to 23.068 billion yen ($220 million), down 24.0 percent year-on-year but up 10.3 percent from November. December exports were 16.986 billion yen ($161.8 million), down 4.3 percent from December 1992. However, exports to the United States increased. (Tokyo NIHON KEIZAI SHIMBUN 10 Feb 94 p 11) Nowell C. 733-6519

Semiconductors/Computers/Electronics

NEC Wins Supercomputer Order From Private University

NEC Corp. has won an contract from Fukuoka University, a private institution in Fukuoka City, to build a "research and education system" that includes a supercomputer at a total cost of just over 1 billion yen ($9.3 million). The company will provide its "SX-3/11R" vector supercomputer. Further, NEC will construct a local-area network (LAN) that will combine image processing workstations, education-use personal computers, and a library information system. One "special feature" of the system is that the supercomputer and workstations will use UNIX operating software. The system will be delivered in August and is expected to be in operation by October.

This is NEC's first supercomputer order in the Kyushu region. Also, NEC's supercomputer will replace a Fujitsu-made "VP2100/10" the university has been using.

NEC has not won any of the bids for ten of the eleven supercomputers funded under the the government's first FY93 supplemental budget, while Fujitsu has won four. In several of the bids, including those sponsored by the Communications Research Laboratory and Tsukuba University, the two firms competed head on, but Fujitsu won out over NEC and the other bidders with lower prices and higher technical evaluations "beyond the scope of expectations." With the Fukuoka University contract, however, NEC "has had its revenge." (Tokyo NIHON KEIZAI SHIMBUN 4 Feb 94 p 7) Maurice C. 733-5713

Seiko Epson To Build IC Design-In Center in China

Seiko Epson Corp. will establish an integrated circuit (IC) design-in center in Shenzhen, China in the spring of 1995. The center's goal will be to strengthen local customer support for Seiko Epson's IC design-in operations in China, which were developed through Hong Kong. Currently most of Seiko Epson's design-in customers are in Japan, but the company has decided "it is essential to increase foreign sales." Therefore it is expanding directly into China, where the company anticipates a huge demand in the future for design-in ICs. Seiko Epson first will focus on developing a market in southern China for semiconductors designed for use in light industry, such as electronic notebooks and game machines.

Seiko Epson derives about 50 percent of its sales from customized and semi-customized ICs. In this field the ability to develop products which are specialized to a user's needs is the deciding factor in a company's success. For this reason, after starting its semiconductor operations in 1980, Seiko Epson moved to aggressively strengthen its design-in system.

Domestically, Seiko Epson has semiconductor design-in centers in Tokyo, Osaka, Nagoya, Fujimi, and Sapporo. The Shenzhen center will be Seiko Epson's fourth overseas design-in center; the other three are in Canada, California, and Taiwan. (Tokyo NIKKAN KOGYO SHIMBUN 10 Feb 94 p 7) Beverly G. 733-6527

NEC, Mitsui To Build Ground Station For Sri Lanka Telecom

NEC and Mitsui & Co. have won a contract worth 1.5 billion yen ($14.4 million) from Sri Lanka Telecom, the country's state-run telecommunications enterprise, to build an INTELSAT (International Telecommunication Satellite Organization) Standard-A ground station and supply NEAX61 switching equipment. The ground station, the second in Sri Lanka, will be built in the eastern outskirts of Colombo, Sri Lanka's capital, by early 1995. It will increase the country's international communications capacity from the existing 500 lines to 2,500.

Sri Lanka Telecom will set up support facilities in the Padukka region, east of Bombay, India, and plans to begin operations at the ground station in early 1995. All financing for the project will be handled through the Asia Development Bank. AT&T and Sweden's Ericsson also bid for the project, but Sri Lanka Telecom selected NEC and Mitsui based on its "high appraisal" of the first ground station the two companies built in 1975.

Demand for international communications in Sri Lanka is growing not only because the country is a popular tourist spot, but more importantly because several Asian countries, especially South Korea, have begun textile production operations there. NEC is seeking to sell its equipment for both international and domestic communications in conjunction with Sri Lanka's active program to upgrade its communications infrastructure. (Tokyo NIKKEI SANGYO SHIMBUN 22 Feb 94 p 7) Elaine S. 733-6526

NHK Will Lease Circuit on Panamsat Satellite

The Japan Broadcasting Corp. (NHK) has confirmed that it will lease a circuit on the Panamsat (Pan American) satellite, scheduled to be placed in orbit this May, for video transmission of its newscasts between Japan and the United States. NHK, which currently leases two circuits from INTELSAT (International Telecommunications Satellite Organization), reached its decision after "a comprehensive review of factors." Reportedly the deciding factor was Panamsat's low costs, although NHK has not made a "definite statement" regarding this matter. NKH and Panamsat are currently working out final details of the contract through Kokusai Denshin Denwa (KDD), which is acting as the negotiating agent between the two firms because Panamsat does not have an office in Japan--a requirement for foreign enterprises seeking satellite communications business activities with Japan, as stipulated in the Japanese Government's deregulation measures for this sector of the communications industry.

NHK's decision to contract with Panamsat will likely encourage other Japanese customers to follow. This trend will affect INTELSAT, which currently dominates the Japan-U.S. video transmission market, but will also affect Japanese companies like Japan Satellite Systems, which is seeking to establish a presence in the international satellite communications market. (Tokyo NIKKEI SANGYO SHIMBUN 18 Feb 94 p 6) Elaine S. 733-6526

Tokyo Experimental CATV Project To Be Operational by 1996

The Tokyo Metropolitan Government soon will begin planning for a large experimental digital-based cable television (CATV) project in the new city center currently under development in the Tokyo Bay area. The CATV project is slated to be operational in 1996. This May the metropolitan government will call on representatives from the public and private sector,

including the Ministry of Posts and Telecommunications, the Japan Broadcasting Corp. (NHK), Nippon Telegraph & Telephone (NTT), NEC, Hitachi, Matsushita Electric Industrial Co., and communications software companies to form a committee and define a project plan. The government estimates it will cost about 3 billion yen ($28.8 million) to build the CATV project center and to develop the necessary software.

Once the committee defines an overall plan, the metropolitan government will proceed with building the project center and establishing a 100-channel CATV network for offices and residences in the city center area that also will provide services such as video-on-demand, home television shopping, interactive health and medical consulting, and business communications services. The metropolitan government plans to officially inaugurate the CATV project in March 1996 during the "Tokyo Frontier" world trade fair. (Tokyo NIHON KEIZAI SHIMBUN 26 Feb 94 p 1) Elaine S. 733-6526

Matsushita Electric Industrial Co., EO Revamp Production Agreement

Matsushita Electric Industrial Co. has concluded an OEM (original equipment manufacturer) agreement with EO, a California-based company which develops portable communications terminal units. The move follows a request by EO to discontinue its existing consignment production relationship with Matsushita because the number of units currently produced is considerably lower than originally forecast due to a decline in demand in the U.S. market.

America Matsushita Computer, based in Illinois, has been producing EO terminal units on consignment since 1992, when EO was established with investment from Matsushita Electric Industrial, AT&T, and Olivetti. Initially, the two companies set production targets of 5,000 units per month, but because of the decline in U.S. market demand, they realized only half the target figure. Matsushita states "it is not thinking about reexamining the other aspects of its EO relationship, such as withdrawing its investment from the company." (Tokyo NIHON KEIZAI SHIMBUN 15 Feb 94 p 12) Elaine S. 733-6526

CHINA

Domestic Developments

Shanghai Enterprise Ownership Composition Changes Through Reform

Economic reform has had a tremendous impact on enterprise ownership composition in Shanghai, with the number of joint ventures, private enterprises, and other types of ownerships growing yearly. According to the latest statistics, from 1980 to early 1993, state-owned enterprises declined from 85.9 percent to 62.2 percent of Shanghai's gross domestic product while collectives, private, and joint venture enterprises grew from 12.4 percent, 0.3 percent, and 1.7 percent to 19.2 percent, 2 percent, and 18.2 percent of the gross domestic product respectively.

Shanghai has vigorously encouraged the development of collective enterprises in townships since 1985. The ensuing policy of opening up has also helped to attract a lot of foreign investment. With the liberalization of enterprise ownership, Shanghai's private enterprises have grown to over 5,000 at present. After the socialist market economy was instituted in 1992, the shareholding system proliferated. There are now over 90 Shanghai enterprises selling shares to the public, with capital exceeding 23 billion yuan. The growing economic prosperity during the past 15 years proves that ownership reform is suited to China's general economic development. This reform is not only beneficial to raising people's living standard, increasing state revenue, and maintaining social stability, it is also beneficial to establishing a socialist market economy. (Shanghai WEN HUI BAO 8 Jan 94 p 1) Elizabeth L. 733-6399

Textile Shortages, Price Increases Forecast in 1994

According to estimates of the State Administration of Commodity Prices, this year textile supplies will not meet demand and prices will rise. Based on an annual output of 1,150,000 tons of cotton yarn, the textile industry needs 3.5 million tons of cotton, but cotton shortages will reach 1 million tons. Because cotton prices have increased, the price of cotton yarn has also increased. In December, 21-count yarn was 14,000 yuan per ton, and 32-count yarn was 15,000 yuan per ton, increases of 28 percent and 17 percent respectively over the first quarter of 1993. This year the price of cotton yarn will continue to rise.

China produces about 2 million tons of chemical fiber annually, and imports 650,000 tons. In 1994, the price of chemical fiber will increase. Annual domestic output of polyester is 1.1 million tons while the processing industry needs 1.3 million tons. Annual imports are 200,000 tons. In December, the price was 10,3000 yuan per ton and in 1994 the price will remain at the current level. Annual output of dacron is 700,000 tons, and the processing industry needs 800,000 tons. Annual imports are 150,000 tons. However, in 1993 the international market price increased and imports decreased. In December, the price was 12,5000 yuan per ton. Production enterprises that use this material changed or stopped production. In 1994 dacron prices will rise. Meanwhile, annual domestic output of acrylic fibers is 150,000 to 200,000 tons and the processing industry needs 400,000 tons. Thus, imports supply over 50 percent. In 1994 the price will follow the international market. (Shanghai SHANGHAI JINGJI BAO 28 Jan 94 p 3) Bette C. 733-6398

Bank of China To Introduce Computerized Service Network

By January this year, renminbi deposits in the Bank of China had increased by almost 4 billion yuan over the end of last year, to stand at 112 billion yuan. By the end of last year, foreign currency deposits in the bank amounted to $9.19 billion, an increase of more than 50 percent over the end of the previous year. In this year's work, the bank will focus on improving efficiency, providing better service, increasing flexibility, strengthening the formation of the deposit network, perfecting the disposition of the network, improving the service functions of big cities' deposit networks, and expediting the automation of deposit service, the aim being to "invigorate itself by means of science and technology." This year it has planned to equip a large number of service networks in all branches with computers. It will try to greatly increase the popularity and use rate of its computerized network in the shortest possible time. It will actively and appropriately introduce a single-person receipt and payment operational method to its deposit service. This method will be introduced by trial throughout the country and popularized in coastal areas. (Beijing ZHONGGUO XINWEN SHE 1318 GMT 16 Feb 94) Hong Kong Bureau/Dian C. 733-6400

Shenzhen Calls Halt to Listing of New 'A' Share Issues

The Shenzhen stock exchange has imposed a complete halt on new listings of "A" shares, issued to locals, in an apparent attempt to ease strains put on the system by the rush of companies coming to the market. Although the 22 February official statement said the ban applied to all issues, it is unlikely that "B" shares, which are traded by foreign investors, will be affected. Saying that investors were unhappy with the flood of new shares being listed, the exchange indicated that listings would resume depending on market conditions.

Analysts said the problem lay with the government's overly ambitious plan to enlarge stock markets, while ignoring the markets' capacity to absorb new shares. Of the 5 billion shares approved for listing in 1993, only about 2.6 billion had been listed by the end of the year, leaving 2.4 billion to be listed in 1994, thereby straining the listing schedule. (Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) 23 Feb 94 p 1) Hong Kong Bureau/Dian C. 733-6400

Shandong Remains Country's Leading Gold Producer

Shandong Province overfulfilled its annual gold production target last year, thereby retaining its 18-year lock on the position of China's leading gold producer. Shandong's gold reserves amount to half the PRC's total, with annual production accounting for one-third of national output. With the deepening of reform and the strengthening of administration over the industry, as well as enterprises' implementation of 14 self-decision-making powers, 1993 profits in the industry rose by 30 percent over the previous year. Since last year, the gold industry has adjusted its development strategy by investing in other industries. By the end of 1993, RMB200 million had been invested in such industries as construction materials, electronics, and metallurgy, with profits tax earned in these industries alone amounting to 40 million yuan. (Beijing ZHONGGUO XINWEN SHE 1356 GMT 16 Feb 94) Hong Kong Bureau/Dian C. 733-6400

Xiamen To Invest in Transport Facilities

Pan Shijian, general manager of the Xiamen Municipal Roads and Bridges Construction Investment Corporation, said that 1994 would see the largest amount of investment and the greatest number of projects to construct transport facilities in the special economic zone. Pan

said Xiamen would adopt various measures to raise capital by guaranteeing the commencement of all key items. Construction began last year on the Shigushan overpass, at a total cost of 90 million yuan. The project is scheduled for completion by September 1994. Work has begun on reconstruction of the Jimei-Guankou road, also slated for completion by September, while the 19-km Jimei-Tongan road will be upgraded at a total cost of 400 million yuan. The work will be completed in 1995. In March, construction will begin on the Xiaoyingling section of the Fuzhou-Xiamen expressway. It should be completed within four years. Construction of the Haicang bridge will start by the end of 1994, with planned investment of RMB2 billion, to be raised in several ways, including government allocation and the issue of stocks both at home and abroad. (Beijing ZHONGGUO XINWEN SHE 0815 GMT 25 Feb 94) Hong Kong Bureau/Vicky L. 733-6388)

Jialing To List Subsidiaries in Hong Kong

Jialing, a Hong Kong-based company controlled by Sichuan Province, is restructuring its subsidiaries in an effort to list them on the Hong Kong Stock Exchange. Recently, Jialing has operated as a holding company and has filed an application with the mainland authorities to gain commensurate status there. Jialing's businesses cover import-export, equity investments in industrial and commercial enterprises, real estate investments, information services, securities, transportation, hotels, and the importation of capital and technology. Last year, 70 percent of its income came from real estate investments, mostly in Hong Kong. According to Jialing's chairman, Liu Guangbing, the company will increase investment in the mainland this year. (Hong Kong WEN WEI PO 23 Feb 94 p C3) Hong Kong Bureau/Dian C. 733-6400

Foreign Trade and Investment

Fujian Sets Up Intellectual Property Rights Court

Fujian provincial's procuratorial court has set up an intellectual property rights (IPR) judicial court recently and the City of Xiamen's Intermediate People's Court has also officially set up an IPR protection court. The move is to demonstrate that the province will fully exercise its judicial authority in IPR cases and is determined to punish the infringement and violation of IPR. According to an estimate, the various levels of the people's court in Fujian has in recent years handled 47 cases and tried 35 involving IPR. These cases include disputes about authorship (copyright) rights, patent rights, and trademark rights. Some cases involve foreign enterprise contract disputes. For example, one such case was between a certain company in Hong Kong and a certain unit in Fujian in dispute involving non-patent technology transfer and in patent application permits.

The cases being tried in the provincial procuratorial court cover seven categories of disputes: patent disputes; trademark disputes; copyright disputes; disputes involving invention infringement, exclusive rights to technology and other scientific and technological achievements; technology contractual disputes; disputes involving illegal competition; and any other disputes belonging to the scope of intellectual property protection rights. All categories apply to sino-foreign, Hong Kong, Macao, and Taiwan cases. (Beijing GUOJI SHANGBAO 2 Feb 94 p 1) Vicky L. 733-6388

Shanghai Exports Exceed Target in 1993

Shanghai's exports exceeded $7.38 billion in 1993 and the export growth rate was higher than the national average. In early 1993, the Shanghai municipal government set its export target at $7.34 billion, but by mid-year only 45 percent of the target had been fulfilled. In June, a municipal economic and trade conference was held to further reform and to create an environment more compatible with a socialist market economy. After administrative protection and preferential policies were abolished, foreign trade enterprises were forced into market competition. Last year, foreign trade privileges were also granted to an additional 4,000 or so industrial units, research institutes, enterprises, and joint venture firms, bringing Shanghai's trading entities to approximately 7,000. Meanwhile, all relevant government work units were instructed to support exports and to launch coordinated measures. After concerted efforts, exports began to increase and eventually exceeded the 1993 target.

Future export growth is targeted at 15.4 percent annually. Since the state abandoned the mandatory export plan and foreign exchange submitting quota, relevant export promoting measures, including transforming the operational mechanism of trade offices, providing incentives, and adjusting industrial production, should be instituted as soon as possible. (Shanghai WEN HUI BAO 6 Jan 94 p 1) Elizabeth L. 733-6399

Guangzhou To Set Up Individual Foreign Exchange Markets

Plans are in the making for Guangdong's capital city to set up individual swap centers to handle foreign exchange transactions. These individual centers will then link up with the nationally established foreign exchange centers.

Presently, Guangzhou's foreign exchange regulating markets have two kinds of operations. One involves a specified volume and the other a spot exchange. Having planned to expedite a nationwide foreign exchange market network, the Bank of China and the State Administration of Exchange Control are setting up the corresponding financial organs at the provincial and city levels. Under the plan, the Guangzhou area is the first to form public swap centers, then set up a province wide network, and lastly, to link up with the national foreign exchange market network. Additionally, Guangzhou will set up the Guangzhou financial center and a city shareholding cooperative bank to handle the Renminbi operations involving promissary notes and financial capital. (Beijing ZHONGHUA DISAN CHANYE BAO 6 Jan 94 p 3) Vicky L. 733-6388

Foreign Investment Estimated at $30 Billion for 1993

China became the world's biggest foreign investment recipient country in 1993. Actual foreign investment introduced for the whole year exceeded $30 billion, of which Guangdong Province accounted for one-quarter, ranking first among China's provinces and municipalities. According to statistics, foreign businessmen invested in nearly 100,000 projects in mainland China in 1993. Agreements signed involved $110 billion, of which direct investment exceeded $20 billion.

Guangdong Province attracted more foreign investment than any other province. Last year, $8.5 billion was actually received, accounting for one-quarter of total foreign investment in the mainland. Shanghai ranked second in 1993 with $7.016 billion. Beijing ranked third, attracting $6.28 billion. These were followed by Shenzhen, which attracted more than $5 billion; Fujian, $2.8 billion; Jiangsu, $2.1 billion; Shandong, $1.6 billion; Guangxi, $1.06 billion, and Hainan,

$730 million. The overall amount of foreign investment in China increased by a wide margin over the previous year.

Hong Kong businessmen ranked first in investing on the mainland last year, with investments exceeding about $13 billion. Taiwan businessmen ranked second, with investments amounting to more than $6 billion, exceeding the total of many previous years. U.S., Japanese, and German businessmen also made enormous amounts of investment in the mainland last year. (Hong Kong ZHONGGUO TONGXUN SHE 0928 GMT 18 Feb 94) Hong Kong Bureau/Ann F. 733-6390

Guangdong Foreign-Funded Enterprises Expand Export Share

According to an office of the Guangdong Provincial Government, by late 1993, foreign-funded enterprises in Guangdong and local state-owned foreign trade, industrial, and commercial enterprises had almost equal shares of the export business for the first time. Guangdong's 1993 export volume hit $26.33 billion, of which $10 billion was contributed by foreign-funded enterprises. In 1993, the average export growth rate throughout the province was 8.6 percent, while the corresponding growth rate of foreign-funded enterprises was as high as 23.2 percent. (Hong Kong ZHONGGUO TONGXUN SHE 0947 GMT 17 Feb 94) Hong Kong Bureau/Vicky L. 733-6388

Beijing Views Use of Foreign Loans, Donations

Since 1979, Beijing has applied multilateral aid totaling $29.903 million from the UN Planning Program for carrying out 33 projects; and aid totalling $86.63 million yuan from Japan, Australia, Canada, Germany, and other countries for carrying out 15 projects. Nineteen aid projects, involving $62 million, were being carried out in 1993. As of the end of 1993, Beijing had used government loans and donations from 14 countries for carrying out 85 projects, involving $820 million. With these loans, Beijing has completed 54 projects involving $137.52 million and carried out 19 projects involving $611.38 million. Agreements were also reached on the use of loans for building six projects, involving $28.72 million. Beijing has also used foreign donations to complete four projects, involving $11.75 million. These foreign loans and donations were mainly used for building infrastructure and industries related to the people's lives in the capital, covering industry, agriculture, foodstuffs, aquaculture, environmental protection, education, scientific research, fire prevention, and communications management. For example, Japan has provided 2.7 billion yen of free aid for building the China meat products research center to take charge of Beijing's meat quality inspection, and the Japanese Government has provided aid of 3 billion yen for China to build Beijing Television Station and granted 19.2 billion yen in loans to help Beijing build a subway. (Beijing BEIJING RIBAO 13 Feb 94 p 1) Hong Kong Bureau/Ann F. 733-6390

Hebei Use of 1993 Foreign Loans

Hebei Province has achieved a breakthrough in the use of foreign loans. As of the end of 1993, the Hebei Province had carried out 161 projects with foreign loans, involving foreign capital of $670 million, and with $580 million of funds actually utilized. These loans were mainly used for improving saline-alkaline farmlands, developing farming on Huang-Huai-Hai Plain, and building fast-growing forestry; improving teaching conditions, training teachers and developing adult education; preventing and curing tuberculosis; building the Hebei section of Beijing-Tianjin-Tanggu expressway, the No.7 and No.8 berths of Tangshan Port, Shijiazhuang-Tangshan microwave telecommunications line, and 240,000 program-controlled telephone lines

in seven central cities and 22 counties and cities; carrying out polluted water disposal and gas supply projects in Handan, Shijiazhuang, and Baoding cities; and building a cement kiln with a daily production capacity of 2,000 tons at the Tangshan Qixin Cement Plant. (Shijiazhuang HEBEI RIBAO 8 Feb 94 p 1) Hong Kong Bureau/Ann F. 733-6390

Airbus Signs Spare Parts Production Deal

On 1 March, Airbus Industrie announced that it had signed a major cooperation agreement in Beijing last month with the China Aviation Supplies Corporation which will allow Chinese manufacturers to become further involved in the production of the company's spare parts. The deal is valued in the hundreds of millions of dollars. Airbus will deliver nine aircraft to Chinese companies this year and has announced plans to set up a training center and a service support center in Beijing. About 40 percent of pilots and other workers who receive training at the Airbus headquarters in France are expected to come from China. Airbus also has set up Airbus Industrie China, which handles commercial, industrial, and product support activity in the PRC. (Beijing CHINA DAILY 2 Mar 94 p 2) Hong Kong Bureau/Ann F. 733-6390

Aerospace Industry Corporation Seeks International Cooperation

An official from the China Aerospace Industry Corporation has said that the corporation seeks more extensive international cooperation in the areas of satellite information systems, mobile communication devices, global television relay systems, and satellite data communication VSAT stations. He also said that the corporation plans to expand the scale of cooperation in other areas, such as the manufacture of communications, resource-survey, meteorological, and navigational satellites, as well as various kinds of satellites for scientific experiments, and that satellite launching services also will be provided At a news conference last June, the corporation announced 93 cooperation projects involving $1.28 billion. A majority of the state laboratories and applied technology research centers under the corporation have been opened up to the outside world. (Hong Kong CHING CHI TAO PAO, No 8, 28 Feb 94) Hong Kong Bureau/Ann F. 733-6390

Stanley Ho Threatens To Halt Mainland Investments

Property developer and Macao casino operator Stanley Ho has threatened to stop investing in the Chinese real estate market if the capital gains tax on property is implemented. Ho issued the warning at a foundation-laying ceremony in Shanghai on 26 February for his Shanghai Plaza development, an office, residential, and hotel complex. Shun Tak Holdings, which is controlled by Ho, has a 15-percent stake, and one of his private companies has 20 percent of the 8-billion-yuan project. "If the tax is implemented, I will not be interested in further investment," Ho said, referring to Beijing's new value-added land tax, but he added that his existing projects on the mainland would proceed as scheduled. (Hong Kong EASTERN EXPRESS 28 Feb 94 p 31) Hong Kong Bureau/Vicky L. 733-6388

China Overseas To Invest in Guangdong Power Plant

The Hong Kong-listed China Overseas Development Company Limited, a wholly owned subsidiary of China State Construction Engineering Corporation, is planning to invest $117 million in a thermal power plant project in Shaoguan City, Guangdong Province. The plant, Shaoguan City Pingshi Power Plant (B Factory), is a joint venture with the Shaoguan City government and the Shui Heng Development Company Limited, who hold 25 percent and 22.5 percent respectively. The joint venture has a 20-year operating franchise for the plant. (Hong Kong HSIN PAO 1 Mar 94 p 5) Hong Kong Bureau/Vicky L. 733-6388

Hong Kong Firm Holds Two Thirds Shares of Guangdong Power Plant

Hong Kong-based Chia Ho Ltd. has invested in a power plant in Guangdong under Maoming City's Electric Development Corporation and now holds two thirds of the shares at a cost of HK$23 million. The term of the partnership is 35 years. This four-year-old power plant has eight generating units imported from Germany, with an installed capacity of over 50,000 kw. (Hong Kong TA KUNG PAO 24 Feb 94 p 5) Hong Kong Bureau/Vicky L. 733-6388

Xiamen People's Income, Foreign Capital Increase

Last year, Xiamen's per-capita gross domestic product amounted to 9,288 yuan, about 10 times the amount before the establishment of the Xiamen special economic zone. Citizens' per-capita annual income was 2,034 yuan, an increase of 24.8 percent over the previous year, while peasants' per-capita annual net income was 1,690 yuan, an increase of 20.2 percent over the previous year. Meanwhile, Xiamen has improved its approval procedures and management in introducing foreign capital. The city approved 655 foreign-invested projects last year. Contracted foreign capital was $2.404 billion, while foreign capital that actually arrived in Xiamen amounted to $1.034 billion, an increase of 84.8 percent over the previous year. There were 391 newly started foreign-invested enterprises last year, an increase of 167.81 percent over the previous year. (Fuzhou Fujian People's Radio Network 2300 GMT 16, 17 Feb 94) Hong Kong Bureau/Vicky L. 733-6388)

Zhuhai, Singapore Company Sign Shipyard Construction Pact

Zhuhai Port Investment, a subsidiary of the Port Authority of Zhuhai, signed a joint-venture contract on 1 March with Singapore's Marinteknik company to build a 5-hectare shipyard for the production and maintenance of catamarans and monohull ferries, China's first such shipyard. Marinteknik's investment will amount to $12 million. The two partners have a long history of cooperation, having linked up in 1982 to provide the first passenger ferry service between Hong Kong and Zhuhai. Phase one of the shipyard will be completed in mid-1995, enabling the yard to produce 12-16 high-speed ferries per year, which will generate revenues of some $50 million. In addition, the yard will provide ferry maintenance services, which initially should earn around $5 million. Phase two is slated for completion in early 1997. Marinteknik will hold a 60-percent stake in the 50-year joint venture, which initially will be aimed at the export market, though the longer-term outlook envisions selling up to 50 percent of output in China. (Hong Kong EASTERN EXPRESS 2 Mar 94 p 23) Hong Kong Bureau/Vicky L. 733-6388

Sino-Thai Project To Produce Suzuki Motorbikes in Nanning

The Nanning machinery factory and the Thailand S.P. International Company have pooled funds to establish the Nanning Yibin Motorcycle Company Limited, which will produce "Suzuki King" motorcycles in Nanning. The new company has an investment of $29.55 million, of which the Chinese side contributed 40 percent. A contract has been signed with Japan's Suzuki Company to import advanced technology, facilities, and management methods to produce Suzuki GS125ESK motorcycles and other new models. By 1996, the company will have an annual output of 400,000 motorcycles. (Beijing ZHONGGUO XINWEN SHE 26 Feb 94) Hong Kong Bureau/Scott C. 733-6405

Wuhan Iron and Steel Imports Spanish Machinery

On 1 March, China's fourth largest steel producer, the Wuhan Iron and Steel Corporation (WISC), signed a contract with two Spanish companies--Tecnicas Reunidas Internacional SA and

Eurocontrol SA--to import an $82.1 million continuous casting machine intended for the second stage of WISC's No. 3 steel smelting plant. The two Spanish companies earlier had supplied equipment worth $320 million for the plant's first stage. WISC used both Spanish Government and commercial loans to seal the deals. The No. 3 plant, with an annual steel production capacity of 2.5 million tons, will go into operation in 26 months, laying the foundation for WISC to increase its annual steel output to 10 million tons by the end of the century. In 1993, WISC produced 5.06 million tons of steel and 5.44 million tons of iron, increases of 6.12 and 6.69 percent, respectively, over the previous year. Sales revenues for 1993 amounted to 11.37 billion yuan ($1.3 billion), up 26 percent; taxes and profits hit 3.1 billion yuan ($356 million), up 38 percent; while exports hit $110 million, up 25 percent. (Beijing CHINA DAILY 2 Mar 94 p 2) Hong Kong Bureau/Elizabeth L. 733-6399

Tianjin Establishes Joint-Venture Building Materials Institute

The Tianjin building materials supply general company and the Australian CSR company will jointly build a precast concrete project, and the Tianjin Municipal Building Materials Research Institute will cooperate with the Housing Construction Research Center of an Australian university to establish the Tianjin-Australian building materials research institute--the first of its kind in China. The agreement signing ceremony was held at the conference room of the Tianjin Municipal government on 19 February. The investment of the concrete company totals $30 million and the designed annual production capacity is 1 million cubic meters of concrete. Four production lines and 90 sets of concrete equipment will be set up in Dongli, Nankai, Hexi, and Hongqiao building materials supply companies under the Tianjin building materials supply general company. This project is expected to be completed within this year. Based on the agreement, the Tianjin Commission of Science and Technology will cooperate with a university in Australia in research, exchange of scholars, training of personnel, and exchange of academic data, and the Tianjin-Australia building research institute will serve as their cooperation demonstration unit in research regarding new building materials, quality control, and construction cost. (Tianjin TIANJIN RIBAO 19 Feb 94 p 1) Hong Kong Bureau/Ann F. 733-6390

Taiwan

Additional Incentives To Promote Southern Policy

On 14 February Minister of Economic Affairs Chiang Ping-kun said the ministry will offer additional incentives for Taiwanese businessmen to invest in Southeast Asia. Chiang Ping-kun said such incentives would include extending workers' training period, urging banks to increase loans for companies which invest in Southeast Asia, and signing agreements with Southeast Asian countries to avoid double-taxation. The ministry will also help secure loans to businessmen who are interested in establishing industrial development zones in the region. (Taipei CHING-CHI JIH-PAO 16 Feb 94 p 2) Okinawa Bureau/Vicky L. 733-6388

Draft Trade Regulations on Hong Kong, Macao

The Executive Yuan's Mainland Affairs Council has drafted regulations concerning Taiwan-Hong Kong-Macao relations in investment, technological cooperation, shipping, finance, and insurance after Hong Kong and Macao are returned to the Chinese Communists in 1997 and 1999 respectively. The first internal examination of the 54-article draft regulations will be held on 24 February. Parts of the draft regulations that concern the economy and trade include:

Taiwanese businessmen must report their investment or technological cooperation in Hong Kong and Macao to the ministry; financial and insurance institutions must obtain prior approval before establishing branches in Hong Kong and Macao; the Ministry of Economic Affairs shall draw up procedures to regulate Hong Kong and Macao investments in Taiwan; and the Ministry of Transportation and Communications shall draw up procedures governing air and shipping services with Hong Kong and Macao. (Taipei CHING-CHI JIH-PAO 16 Feb 94 p 3) Okinawa Bureau/Vicky L. 733-6388

Textile Companies To Invest or Expand in Vietnam

After the United States lifted its trade embargo against Vietnam, several Taiwanese textile companies decided to invest or expand their investments in Vietnam. The Far East Textile Company plans to establish garment and dyeing mills in Vietnam soon. At the end of 1993, the Hualon Group applied to the Vietnamese Government to establish a comprehensive textile mill involving investment funds of $240 million. The Huang Ti Lung Textile Company has decided to invest more than $20 million to establish knitting and spinning mills in Vietnam. The Chung Hsing Textile Company, which has long been established in Vietnam, decided to invest another $50 million to expand its knitting and spinning production facilities in Vietnam. (Taipei CHING-CHI JIH-PAO 17 Feb 94 p 10) Okinawa Bureau/Vicky L. 733-6388

Government To Hold Current Tariffs on Automobiles, Parts for Now

In view of the fact that automobiles and the relevant industries account for 8.5 percent of Taiwan's total industrial output value, Vice Economic Minister Yang Shih-chien said on 17 February: "The government will take this into account, and at this moment will not consider lowering tariffs on imported automobiles and parts and accessories before the issues of Taiwanese restrictions on car-exporting regions and of local car-parts content rates are settled during negotiations for GATT membership." Although the United States calls for Taiwan to lower its auto tariff from 30 percent to 15 percent, the government will still uphold the principle of lowering it slightly, with 25 percent as the bottom line. (Taipei CHING-CHI JIH-PAO 18 Feb 94 p 2) Okinawa Bureau/Vicky L. 733-6388

Imposition of Anti-Dumping Tax on Japanese, Korean Polypropylene

The Ministry of Finance has ruled that Japan and South Korea are dumping polypropylene (PP) in Taiwan, and decided to impose a 6.57-110.68 percent temporary anti-dumping tax on 18 South Korean and Japanese petroleum-chemical factories. According to customs statistics, Taiwan imported 178,000 tonnes of PP in the first 11 months of 1993, and nearly 60 percent of that was exported by Japan and South Korea. (Taipei CHING-CHI JIH-PAO 19 Feb 94 p 13) Okinawa Bureau/Vicky L. 733-6388

MOEA Assesses Impact on Manufacturers of Joining GATT

According to an assessment by the Ministry of Economic Affairs, after Taiwan joins GATT and lowers tariffs, the automobile and motorcycle, textile, and machine tool industries will experience the greatest impact. It is estimated that the output value of the auto industry will drop by 60 percent, auto and motorcycle parts by 50 percent, and machine tools by 12.4 percent. However, Taiwan's net exports and imports of manufactured goods may increase by $1.8 billion and $546 million respectively. The net output value of the manufacturing industry is likely to increase by $1.3 billion. In addition to a decline in the output values of the aforementioned

industries, thousands of workers in the auto and machinery industries may also lose their jobs after Taiwan joins GATT. (Taipei CHING-CHI JIH-PAO 21 Feb 94 p 2) Okinawa Bureau/Vicky L. 733-6388

Statistics on Exports to PRC May Be Underestimated

According to an official of the Board of Foreign Trade, Taiwan's real export value to the PRC is about 10-20 percent higher than statistics indicate. The cause of this discrepancy is because Hong Kong did not add the price of PRC-bound transshipped or transit goods into their statistics. It is also because some goods were not exported to the PRC via Hong Kong; therefore Hong Kong's statistics cannot represent Taiwan's total exports to the PRC. According to PRC customs, Taiwan exported $12.9 billion of goods to the PRC and imported $1.4 billion of goods from the PRC in 1993. PRC statistics on Taiwanese exports should be more reliable because they were based on certificates of origin. (Taipei CHING-CHI JIH-PAO 21 Feb 94 p 9) Okinawa Bureau/Vicky L. 733-6388

NORTH KOREA

FEATURE: DPRK-Chosen Soren Joint Ventures Face Continuing Problems

According to South Korean press reports, since 1990, most of the DPRK's joint venture companies with Chosen Soren (the General Association of Korean Residents in Japan) have failed because of contract violations, "excessive" government control, a shortage of electricity, and difficulties in obtaining technology from Japan. The surviving companies are at "high risk" of closing down as well, if current conditions prevail, the reports say.

Since 1984, when joint venture laws were enacted in North Korea, Chosen Soren and the DPRK have established about 120 joint-venture companies which account for over 60 percent of the total number of DPRK joint ventures, according to the 13 January Seoul NAEWOE TONGSIN. The 25 January Seoul HANGYORE SINMUN, citing the ROK National Unification Board's recent report to the National Assembly, states that since 1990, most of the North Korean joint ventures with Chosen Soren have closed down and only 20 some companies--out of more than 120--are currently in business. Moreover, if the DPRK maintains its "excessive regulations" and "closed-door policy," the remaining joint ventures run the risk of going bankrupt as well, the paper asserts.

NAEWOE notes that, according to Chon Chin-sik, president of Moranbong Joint Venture Co. (one of the major DPRK-Chosen Soren joint-venture companies), as relations between Japan and the DPRK improved following former Deputy Prime Minister Shin Kanemaru's visit to Pyongyang in September 1990, North Korea moved from mainly dealing with Chosen Soren to attempting to "recruit" Japanese companies for joint venture projects. Chon said that during this period, North Korea "ignored" Chosen Soren joint-venture companies.

Moreover, after the DPRK announced its withdrawal from the Nuclear Non-Proliferation Treaty in March 1993, it put "tight" restrictions on foreign visitors, including Koreans associated with Chosen Soren, and Japanese experts who were to advise the joint-venture factories on technical matters, NAEWOE reports. In addition, the energy shortage in North Korea has had an impact on Chosen Soren joint ventures as well. HANGYORE points out that North Korea has been giving preferential treatment to domestic companies which received their supply of electricity before Chosen Soren joint-venture companies. Furthermore, North Korea has often exported substandard goods, causing a loss of credibility for the joint ventures and eliciting claims against them, according to HANGYORE. For example, a large quantity of poorly made suits manufactured by Moranbong Joint Venture Co. was found at customs clearance in Japan last October, NAEWOE says.

NAEWOE cites additional reasons behind the difficulties experienced by the joint-venture companies, such as North Korea's violations of contract provisions, "excessive regulations," multiple inspections, and bribery. North Korea has reportedly marketed goods in places that were not stipulated under existing agreements, such as Macao and Hong Kong, in order to obtain a better profit margin. NAEWOE reports that Chosen Soren "strongly protested" against such conduct in 1989 at the 4th annual meeting of Korea International Joint Venture Union Co.'s board of directors, which is responsible for coordinating and giving guidance to DPRK-Chosen Soren joint-venture projects. The board's yearly meeting, whose purpose is to set guidelines for upcoming joint-venture activities, has not been held since November 1992, NAEWOE notes. Stephanie C. 733-5577

SOUTH KOREA

FEATURE: Patent Office Looks for Countermeasures to Patent Disputes

According to recent Seoul press reports, the number of ROK patent applications is growing, as is the number of patent disputes that ROK firms face. Yet most firms pay scant attention to issues of patents and technology protection. Recently, the Office of Patent Administration has started setting up patent technology councils to foster cooperation among ROK firms and help counterbalance patent disputes. In addition, it has held an open forum to discuss reforming the patent judgment system.

According to an article in the 9 February CHUGAN MAEGYONG, there are four ways to protect ideas using the ROK legal system: by registering patents, utility models, designs, or trademarks. It takes an average of 32 to 34 months to screen a patent or utility model application. While South Korea ranks sixth in the world in the number of applications filed for patents or utility models, it lacks the systematic backing to help commercialize these ideas, according to CHUGAN. While there are funds available to help cover production costs for commercializing new ideas, they only amount to about 200 million won ($250,000) annually.

The 24 January HANGUK KYONGJE SINMUN (HKS) publishes data from the Office of Patent Administration showing that South Koreans applied for 21,459 patents in 1993, an increase of 34.5 percent over 1992. At the same time patent applications by foreigners dropped 0.6 percent. ROK citizens' applications for low-tech utility models totaled 31,505, a 12.8-percent increase over 1992, while foreign applications fell 3.9 percent. Design and trademark applications by Koreans rose by 20.4 percent and 40.4 percent, respectively. Industrial property rights applications rose 22 percent, to 155,870, with corporations accounting for 57.9 percent of the total. According to HKS, these increases are not caused by an increased awareness of the concept of technology as property, but rather they are spurred by the growing number of industrial property disputes between both domestic and foreign firms.

The 29 January HANGUK KYONGJE SINMUN notes that intellectual property rights (IPR) disputes are growing in number, and that ROK firms do not have sufficient ability to respond to the problem. The Hanbit IPR Center recently surveyed member firms about this issue. Of the 153 firms responding, 69.2 percent had been involved in such disputes. For electronics firms, the percentage was even higher--81.3 percent. Disputes between ROK firms accounted for 50.5 percent of the cases, while disputes with foreign firms accounted for 13.1 percent. HKS adds that 35.4 percent of the firms had had disputes with both domestic and foreign firms. With regard to dispute resolution, HKS reports that 31.3 percent of disputes were resolved in court, with the judge finding for one side or the other, while 30.3 percent were resolved through compromise. According to HKS, when a dispute involved a foreign firm, ROK firms faced such difficulties as a lack of data or technical information (22 percent), insufficient knowledge of foreign laws (14 percent), and high costs (12 percent).

Most firms have paid little attention to the issue of patents or technology protection, reports the 15 January HANGUK KYONGJE SINMUN. According to statistics from the Office of Patent Administration, 749 manufacturers, or slightly more than 1 percent of all manufacturing firms, have set up offices to deal with patent issues. Of these, more than 96 percent employ fewer than five workers in their patent office. However, some of the larger firms are devoting

resources to this area, HKS notes. Samsung Electronics has a 130-member IPR team, Goldstar has a 43-member intellectual property management office, and Daewoo Electronics, Goldstar Electron, and Hyundai Electronics are all expanding their patent-related offices. HKS comments that the most "anxious" organizations within electronics firms are those responsible for industrial property rights. Firms must control their technology through patents, the paper suggests, and patent experts, who are scarce, should be quickly trained. HKS also notes by cooperating on technology development, firms might reduce the burden of industrial property rights disputes.

There are already moves towards cooperation on a larger scale. According to the 4 February MAEIL KYONGJE SINMUN (MKS), "patent technology councils" are becoming active in high-tech areas. These councils enable firms to share reciprocal licenses or patent rights. MKS reports that the Office of Patent Administration is considering cooperative "countermeasures" to international patent disputes and the rise in foreign countries "patent aggression," and this year will set up three new patent technology councils--for computers, electric ranges, and construction. At the end of 1993 it set up nine councils, covering washing machines, electronic circuits, antibiotics, synthetic textiles, PVC processing technologies, organic and inorganic chemistry, waste disposal technology for steel producers, and CFC substitutes. The patent administration believes that these councils could indirectly aid firms in technology development by supplying information on leading edge technologies. MKS predicts that as these councils become more active, cross-licensing agreements will flourish. Another measure which would promote technological cooperation--a proposal to grant tax benefits to firms that have concluded cross-licensing agreements--is under consideration, according to MKS.

On the legal front, there are voices calling for establishing a "patent court," reports the 25 January HANGUK KYONGJE SINMUN. On 24 January, the Korea Chamber of Commerce and Industry held a public forum on the issue of revising the patent judgment system. At the meeting, representatives from business and technology circles demanded the establishment of a patent court that includes judges who are technical experts. (According to the 25 January MAEIL KYONGJE SINMUN, currently the Office of Patent Administration handles an initial patent dispute trial and the first appeal, if any. If those involved in the case still disagree with the ruling, they may appeal to the Supreme Court for a third trial.) Industrial circles question the cost, timeliness, and courts' ability to make technical judgments under the current system; they recommend setting up a patent court. One industry representative emphasized that in patent judgments a factual trial is more important than a legal analysis. HKS reports that patent attorneys oppose letting the patent office handle the first and second trials, and suggest establishing a patent court composed of both technical and legal judges. Legal circles also oppose the patent office's role, maintaining that it is unconstitutional. According to HKS, this group would like to see a patent department set up in the Seoul High Court, with the existing court handling matters and bringing in technical aides and advisory groups. Finally, the Office of Patent Administration asserts that the current system is legal. It does, however, recognize a drop in the quality of judges. It recommends setting up a patent judgment court within the current framework, and raising the number of technical judges to improve the quality of judgments. Karen S. 733-5488

FEATURE: ROK Efforts in Obtaining Foreign Commercial Technology Chronicled

South Korea is using a variety of methods to acquire advanced foreign commercial technology, according to ROK press reports. Recognizing a "gap" between the level of technology employed by foreign competitors and what is available domestically to ROK manufacturers, industry and government are jointly engaged in efforts to compensate by appropriating foreign know-how as the basis for the country's commercial S&T programs.

Seoul business newspapers recently published several articles describing efforts by the ROK Government and commercial firms to promote economic competitiveness through the use of foreign technology. These methods reportedly include using public funds to indigenize foreign high-tech, hiring foreigners with technical expertise, collecting technical intelligence through overseas ROK subsidiaries, identifying and recruiting expatriate scientists, technical "cooperation" with foreign companies, and exploiting cash-strapped Russian firms for patented technology (see related article in *PACIFIC RIM ECONOMIC REVIEW* Vol 2 No 20, 6 Oct 93 pp 24-26).

The number of cases listed would increase significantly if reports of technical agreements, licensed production of foreign products, buyouts of foreign firms, "indigenized" products, new overseas "research" facilities, and other types of scientific "exchanges" (where the transfer or appropriation of foreign technology is implied) were also included. The picture that emerges through ROK press reporting in recent months on South Korea's intensified quest for technology is that of a country striving to close the "gap" with "advanced countries" more through imitation than innovation. This is reflected in the ROK press' habitual use of verbs such as "acquire," "accumulate," and "indigenize," while the term "develop" is usually restricted to broad technologies with little specific content or to ROK efforts to reinvent existing products, and the word "create" simply does not appear.

South Korea To 'Develop' Laser Disk Drive

The ROK Government and domestic computer manufacturers will jointly develop a laser disk drive for use with peripheral equipment in next-generation computers. Work began in December 1993 with a 370-million won ($462,500) grant from the Ministry of Trade, Industry and Energy (MOTIE) to the Korea Computer Research Association, which is managing the project with Goldstar's and Hyundai Electronics' participation. The drive will be ready for domestic use and export by 1997.

Goldstar has on hand laser disk drive technology which it imported from Japan in 1990. Hyundai, for its part, obtained "world standard" technology from its buyout of the U.S. electronics firm Maxter, and claims "we won't have much trouble developing it." The project is also expected to give a big boost to domestic manufacturers of recording equipment that uses laser disk technology, and could lead to "indigenizing" all parts connected with computer memory devices. (Seoul MAEIL KYONGJE SINMUN 20 Jan 94 p 15)

ROK Companies Hiring More Foreigners

The number of ROK firms that hire foreign specialists "to overcome the technological gap with competitors in advanced countries" is rising. Even mid-size firms are discovering they can defeat "barricades to technology" erected by another country by hiring that country's nationals,

directly or through overseas subsidiaries. The latter are sent to South Korea periodically "to solve problems that occur on production lines and for technical consultations." The strategy of hiring foreigners with technical skills to improve the competitiveness of ROK products is likened to "using barbarians to control barbarians." (Seoul MAEIL KYONGJE SINMUN 8 Feb 94 p 14)

U.S.-Based Subsidiaries Collecting Technical Information

ROK factory automation (FA) companies are busily setting up subsidiaries abroad to open up new markets for their products, and to "beef up their collection of technical information." Poscon's new subsidiary in Delaware, Poscon International Corporation (PIC), will attempt to market its own FA products in the United States while it "engages in technical information collection activities." Samsung Aerospace will form two "teams" this year for FA equipment exports and control equipment exports, while stepping up activities at its U.S. subsidiary Samsung Optical America (SOA). (Seoul MAEIL KYONGJE SINMUN 7 Feb 94 p 18)

'Brain Pool' To Identify, Recruit Expatriate Scientists

The Ministry of Science and Technology (MOST) will begin operating a "brain pool" this year aimed at inducing high-level scientists abroad to come to South Korea and help the country "acquire at an early date the newest science, technology, and know-how in the R&D stages in advanced countries, and breathe life into the domestic R&D scene." The ministry will recruit 100 "overseas Korean" and other foreign scientists in 1994, and if the program is effective expand its scope in subsequent years.

Recruits will be leading scientists and technicians with more than five years postdoctoral experience in their countries of residence. Exceptions will be made for personnel with world class achievements who lack these credentials. South Korea will pay round-trip transportation, all moving expenses, and a salary higher than that currently received. A review will be made every six months of each individual's performance as a basis for deciding whether to continue the contract.

The system will allow MOST "to make systematic use of more than 40,000 expatriate Korean scientific personnel, including the 14,000-plus members of the Association of Overseas Korean Scientific and Technical Personnel" and "top notch" Western and former-Soviet scientists. MOST is instituting the system "to deal effectively with the increasing reluctance of advanced countries lately to transfer core technology" and to help "overcome South Korea's inferior domestic research and educational environments." (Seoul MAEIL KYONGJE SINMUN 25 Jan 94 p 13)

MOTIE Subsidizes Technical 'Cooperation' With Japan

MOTIE will spend 100 billion won ($125 million) between now and 1997 to support companies specializing in Japanese exports. The ministry will also solicit greater "technical cooperation" with Japan through the "ROK-Japan Technical Cooperation Foundation." Firms which shipped $1 million in goods to Japan, and more than 50 percent of their total exports, will have up to two-thirds of their R&D costs subsidized from a "Basic Industrial Technology Development Fund." In addition, some 20 billion won ($25 million dollars) of the $125 million export subsidy fund will be used to help ROK companies market their products in Japan.

Technical cooperation with Japan will be facilitated by 3.26 billion won ($4.075 million) spent on personnel exchanges, 600 million won ($750,000) to support joint research, 160 million

won ($200,000) on "structural activities for basic industrial technological cooperation," and other related subsidies totaling 4.4 billion won ($5.5 million). MOTIE will increase the number of technicians it sends to Japan for training from 197 in 1993 to more than 300. Another 30 retired Japanese technicians will be invited to South Korea to provide "technical guidance" to ROK small and medium businesses (SMB's). (Seoul MAEIL KYONGJE SINMUN 31 Jan 94 p 4)

ROK Firms Importing Patented Russian Technologies

According to the ROK Patents Administration, 41 South Korean companies have applied to transfer 365 different patented Russian technologies since October 1993. The ROK firms include 22 conglomerates, 14 SMB's, and five research institutes, including the Korea Atomic Energy Research Institute (KAERI). Applications by field number 157 in electricity and electronics, 143 in chemistry, 31 in machinery and metals, and 34 others. (Seoul HANGUK KYONGJE SINMUN 31 Jan 94 p 15) William H. 733-6521

FEATURE: Electronics Companies Focusing on Large Screen TV's

South Korean electronics firms are marketing a variety of large screen color televisions, including conventional designs with screens up to 46 inches, and newer "widescreen" models which make use of redesigned picture tubes for a flatter chassis, according to Seoul press reports. At least one ROK firm is seeking to apply plasma display technology to "multivision" TV's with screens more than eight feet wide. The industry regards these products as "transitional" steps on the way to high-definition equipment now being developed.

South Korean electronics manufacturers are turning their attention to large screen color televisions in response to increasing demand for upscale commercial appliances both domestically and abroad. According to the 9-16 February CHUGAN MAEGYONG, large color TV's held 5 percent of the ROK market in 1990, 11 percent in 1991, 21 percent in 1992, and 27 percent last year (35 percent by value). At present, the most popular models are 25-inch sets which have 70 percent of the large screen market, 29-inch with 25 percent of the market, and 33-inch with 4 percent. A small number of homes have 42-inch and 46-inch projection TV's, the magazine reports.

These units, whose verticle-to-horizontal dimensions have a fixed ratio of 3:4, differ from the widescreen color TV's just now being marketed which are proportionately wider and based on different technology. According to the 9 January MAEIL KYONGJE SINMUN (MKS), South Korea's first domestic widescreen television--a 36-inch model--was introduced in February 1993 by Goldstar. A follow-up model with a 32-inch screen that can project as many as four pictures on the same screen (picture-in-picture or PIP) came out at the end of last year. Goldstar expects 1994 sales of the two models to reach 2,000 and 6,000 sets, respectively. Samsung Electronics recently introduced its own 32-inch widescreen model with PIP and stereophonic sound, and is bringing out a 28-inch model later in 1994. Total sales are expected to pass 10,000. Daewoo and Anam reportedly will market competitive products shortly.

Meanwhile, the 11 January MKS reports that Samsung Electron Devices has made South Korea the "second country after Japan" to develop a flat cathode ray tube for widescreen TV. The company spent one year and 5 billion won ($6.25 million) "indigenizing" the part which will be used in 32-inch screens. The tube reportedly is "twice as flat" as existing models. It

uses a 32.5 mm electron gun (down from 37.5 mm) and Samsung's "double dynamic focus" system to produce clear pictures. The newspaper reports the tube will be used in widescreen televisions just now being produced in South Korea, and in the high-definition television (HDTV) sets of the future. The 9 January MKS states that the ROK electronics industry views widescreen TV as a "transitional by-product" of HDTV, which is expected to "dominate" the market by the year 2000.

In a related development, the 10 February Tokyo NIKKEI SANGYO reports that Orion Electronics, a subsidiary of the Daewoo Group, has established a joint venture with Russia's Gas Discharge Equipment Research Lab (under the jurisdiction of Russia's Munitions Industrial Committee) to produce plasma display panels (PDP's). The equipment, originally produced for Russia's aerospace program, reportedly is being designed for use with extra large ("multivision") televisions with 100-inch plus displays. According to the newspaper, PDP's are much narrower than conventional cathode ray tubes, and offer a brighter screen than liquid crystal displays (LCD's). The new company, Orion Plasma Research and Production, will be located southeast of Moscow. Each partner will supply half of the $4-million capital. William H. 733-6521

Government Committee Devising NAFTA Countermeasures

On 24 January, the ROK Government's "NAFTA Countermeasures Committee" consisting of 17 members from trade-related agencies and industry met to discuss a "new strategy" that entails increasing local investment, moving "full-scale" into the U.S. distribution market, relying on trade diplomacy, and strengthening industrial technological "cooperation." The committee agreed that plans to secure a share of the North American market will be frustrated unless accompanied by direct local investment. In those sectors where South Korean exports lose their competitiveness to Mexican goods which enter the United States duty free, South Korea will react by reducing distribution expenses through more aggressive export marketing. A fact-finding team will be sent to the United States in the first half of 1994 to survey the distribution market, while ROK companies are encouraged to participate in U.S. trade exhibitions and make other efforts to find local vendors. Competitiveness of South Korean products will also be enhanced by strengthening technological "cooperation" through the ROK-U.S. Industrial Cooperation Foundation. In terms of diplomacy, South Korea will use the Uruguay Round and bilateral trade negotiating forums to check NAFTA's "excessive discrimination" against non-member countries as evidenced, for example, in its stringent country-of-origin criteria. The committee plans to have a "full-blown NAFTA strategy" ready by March this year. (Seoul MAEIL KYONGJE SINMUN 25 Jan 94 p 6) William H. 733-6521

Study Compares ROK and Japanese Overseas Investment Strategies

The Korea Chamber of Commerce and Industry has published a "Comparative Study of Direct Overseas Investment Strategies by South Korean and Japanese Companies." The study points out that Japan follows a two-part strategy of manufacturing high value-added, high-tech products at home while farming out medium and low value-added work to overseas production sites. Also, Japan continuously shifts its overseas sites depending on the manufacturing cost and the "technological level of the product targeted for investment" so that no country obtains more technology than what it already has.

Conversely, the study notes that ROK firms appreciate less the need to keep technology out of other countries' hands, and are concerned only with raising productivity at the overseas site. It adds that South Korean companies take high risks, by Japanese standards, in moving production to countries such as China, Vietnam, and Burma without making a full analysis of

the situation and with no means to deal with unfavorable changes that may develop. Japan's ability to keep high technology at home and diversify its overseas labor sites effectively "squeezes" ROK firms which are adept at doing neither. (Seoul MAEIL KYONGJE SINMUN 26 Jan 94 p 12) William H. 733-6521

KDI Approves of Samsung's Entry Into Auto Production

The Korea Development Institute (KDI), a national policy group with close ties to the ROK Government, recently reported it "agrees in principle" with Samsung's bid to enter the passenger car market. KDI acknowledged that "overlapping investment" would be inefficient in terms of the domestic market, but that exports could expand with the enhanced competitiveness that Samsung's entry would help bring about. KDI observed that instead of putting "unreasonable restrictions" on the auto industry, government should support it by investing in related R&D and training of personnel. KDI's approval follows a similar recommendation made last November at a seminar of international experts. The findings are expected to have a major impact on the Korea Institute for Industrial Economics and Trade's recommendation to the Ministry of Trade, Industry, and Energy this April. (Seoul MAEIL KYONGJE SINMUN 17 Jan 94 p 3) William H. 733-6521

Samsung Develops One-Chip Integrated Circuit

Samsung Electronics Co. has developed a high-fidelity one-chip integrated circuit (IC) for wireless phones, that combines the functions of four standard IC's. Using the circuit could reduce the number of IC's used in wireless phones from 12-13 to two or three, and reduce the phone's components by 25-30 percent. This could pave the way for miniaturization of wireless phones. (Seoul YONHAP 0133 GMT 17 Feb 94) Seoul Bureau/Karen S. 733-5488

Hyundai Motors Opens Car Institute

Hyundai Motors recently opened a research institute at the Korea Advanced Institute of Science and Technology (KAIST) to develop high-tech auto technologies and groom skilled workers. The institute, named "Smarveh" (Smart Vehicle Laboratory), is manned by five KAIST professors specializing in machinery and 15 KAIST researchers. The institute will concentrate on developing cleaner-running, quieter, and safer cars. It will also focus on producing more than 10 auto experts with masters-degree level diplomas each year. Hyundai supplied research equipment worth 200 million won ($250,000) and 300 million won ($375,000) in cash to the institute. (Seoul THE KOREA TIMES 20 Feb 94 p 8) Seoul Bureau/Karen S. 733-5488

Seoul, Beijing Seeking Industrial Alliance

The ROK Government will seek an industrial cooperation agreement with China. For South Korea, the main areas of cooperation would include aircraft, automobiles, digital telephone exchanges, and nuclear power plants, while China is interested in high-definition television (HDTV), facsimile, and large-screen televisions. South Korea has already announced an aircraft development plan, and China is expected to be invited to participate in it. In the automotive sector, South Korea has asked China to allow ROK car imports, and will encourage ROK parts producers to invest in China. The ROK Government is also eager to become involved in the modernization of China's telephone networks. Nuclear power is another promising area of cooperation as China constructs new nuclear power plants. The Korea Electric PowerCorporation (KEPCO) has signed an agreement to provide operational and management

services to a nuclear power plant in Guangdong Province. (Seoul TONGA ILBO 18 Feb 94 p 11) Seoul Bureau/Karen S. 733-5488

Companies Withdraw From Indonesia Because of Rising Labor Costs

ROK companies are closing their plants in Indonesia due to wage hikes. The average daily wage in Indonesia increased from $1.05-$1.33 last year to $1.67 recently, an increase of 25 to 60 percent. ROK companies plan to move their plants to Vietnam or China, where labor costs are lower. Samsung closed its sewing plant in west Jakarta at the end of last year and is moving to close five other plants. Sokwang closed one of two plants in Indonesia, and Lucky-Goldstar International is considering selling its plant. (Seoul HANGUK ILBO 21 Feb 94 p 5) Seoul Bureau/Karen S. 733-5488

Plant Exports to China on Increase

ROK companies are increasing plant exports to China as economic cooperation between the two countries is expected to "improve drastically" following President Kim Yong-sam's visit to China. According to the Korea Export and Import Bank, major ROK companies are expanding from small-volume trade to large-scale plant projects in China. The bank has received applications for deferred payment for nine projects with a total value of $167 million. Plant exports range from port facilities to telecommunications cable equipment and railroads. (Seoul MAEIL KYONGJE SINMUN 21 Feb 94 p 4) Seoul Bureau/Karen S. 733-5488

Companies To Participate in Telephone Business in Russia

Dacom and Goldstar Data Communications will sign a contract with Russia on 25 February to establish a joint communication corporation that will provide local phone service to Russia's Maritime Province. Dacom will invest 1,440 million won ($1.8 million) in the project and hold a 45-percent share in the venture, while Goldstar Data Communications will hold 5 percent and six Russian companies will have a 50-percent share. (Seoul MAEIL KYONGJE SINMUN 25 Feb p 11) Seoul Bureau/Karen S. 733-5488

Goldstar Signs Communications Agreement With Romania

Goldstar Information and Communications has signed a turnkey agreement to supply $50 million worth of telecommunications equipment to Rom Telecom of Romania. The equipment will be used to modernize the telephone network in Prahova Province, a project that will cost $75 million. The ROK's Economic Development and Cooperation Fund (EDCF) will provide $50 million in loans to help the Romanian Government purchase the equipment. Goldstar will supply two types of digital telephone exchanges (TDX), STAREX-TD1 for small cities and STAREX-IMS for rural villages. The firm will also provide optical transmission equipment, microwave equipment, and cables. Goldstar's contract is the largest TDX contract ever for a ROK firm. (Seoul THE KOREA HERALD 24 Feb 94 p 8) Seoul Bureau/Karen S. 733-5488

China Emerges as Major Export Market for ROK Textiles

China has emerged as a major textile market for ROK companies. According to the Korea Federation of Textile Industries, textile exports to China between January and November 1993 totaled $756 million, a 71.4-percent increase compared to the same period in 1992. This makes China the fifth largest export market for ROK textiles, or the second largest if exports through Hong Kong are included. (Seoul MAEIL KYONGJE SINMUN 23 Feb 94 p 11) Seoul Bureau/Karen S. 733-5488

SOUTHEAST ASIA

INDONESIA

FEATURE: Government Urged To Reduce Cost of Economy

Jakarta press sources recently reported the views of several economists on Indonesia's "high cost economy." These economists stress the need to stimulate overall economic activity, reduce production costs, and attain better productivity and efficiency, so that Indonesia can achieve economic growth as well as become more competitive in overseas markets.

Sumitro Djojohadikusumo, President Suharto's senior economic advisor, recently expressed his concern over Indonesia's high cost economy and his remarks were cited in several major Jakarta dailies on 22 January. Sumitro's analysis of the economic situation, as reported in BISNIS INDONESIA, KOMPAS, SUARA PEMBARUAN, and MERDEKA, is based on a "capital-output ratio," using quantitative and empirical data, as well as statistical figures from the Central Bureau of Statistics. Sumitro's conclusion is that Indonesia's economic development has been "less efficient and less effective" compared with other ASEAN countries whose economies are "structurally similar." The papers also note that Sumitro attributes this "undesirable situation" to the "large amounts of waste and losses," caused by mismanagement; investments in infrastructure that have slow or little yield; "incompetence" in planning, operating, and maintaining investment projects; and "irregularities" such as graft.

BISNIS INDONESIA reports that during Indonesia's fifth Five-Year Development Plan (1989-1994), public and private investments amounted to 33.4 percent of the national income, with annual economic growth at 6.8 percent. Based on these figures, the incremental capital-output ratio (ICOR) is 33.4 : 6.8 = 4.9 or 5. This ICOR, Sumitro points out, is "somewhat high" compared to the ratios for other ASEAN countries, which generally range from 3 to 3.5. Sumitro suggests that a reduction in the cost of the economy will ultimately result in Indonesia's becoming more competitive abroad and in a higher economic growth for the country; he adds that if the ICOR during the second stage of Indonesia's long-term development cycle could be reduced to 3.5, and if investments remain at 33.4 percent of national income, Indonesia could achieve an annual growth of 9.5 percent (33.4 : 3.5).

Sumitro's assessment of the country's economic situation coincides with that of Rizal Ramly, executive director of the economic, industrial, and trade consulting firm Ekonit. According to a 23 January KOMPAS editorial, Rizal believes that new measures to directly address Indonesia's high cost economy should be worked out and implemented in order to improve the country's competitiveness in overseas markets.

Economists Priasmoro Prawiroardjo and Hadi Soesastro of the Center for Strategic and International Studies share Rizal's view that a new set of deregulation policies is needed. According to the 22 January KOMPAS, Hadi believes that improving the business climate would play an important role in stimulating overall economic activity and in improving efficiency in the industrial sector, while Priasmoro views production efficiency as the key problem that Indonesian exporters must overcome to penetrate the world market. Priasmoro stresses that cutting back on production cost alone will not be enough and that improved macroeconomic

conditions are also necessary. Moreover, he asserts that implementation of the agreements reached at the Uruguay Round will pose more challenges than opportunities to the Indonesian industrial sector. He also points out that Indonesia's electronic industrialists are already concerned about the competition that will come from AFTA (Asean Free Trade Area). They fear that under the Common Effective Preferential Tariff (CEPT) plan of AFTA, the market will be saturated with electronic products from Singapore, Malaysia, and Thailand. And because of the time-consuming procedures and "unpredictable costs" associated with investing in Indonesia (such as "illegal levies" that have to be paid to obtain business licenses), these industrialists predict that other Indonesian products have little chance of getting a share of the international market, KOMPAS reports. Mei Lie C. 733-6524

FEATURE: Workers Strike as Government Enforces Minimum Wage Decree

Several Jakarta newspapers report that thousands of employees went on strike recently to demand better treatment by their employers and an increase to the $2 daily minimum wage recently set by the government for Jakarta and its surrounding areas.

The 4 February ANGKATAN BERSENJATA and SUARA PEMBARUAN report that thousands of employees of several companies in the Tangerang area went on strike three weeks after a ministerial decree on an increase in daily minimum wage went into effect on 1 January. The strikes occurred after employers turned down the employees' demand for a 26-percent increase in the daily minimum wage--which is approximately $2--set by the government. In Bekasi, 30 km east of Jakarta, 1,200 workers from five companies went on strike early last week, according to the 7 February ANGKATAN BERSENJATA. In addition to a salary increase, workers demanded that companies grant them better benefits and special allowances. The paper also states that reports from Bandung indicate that hundreds of employees went on strike for the same reasons as their counterparts in Bekasi, while hundreds of workers from Bogor demonstrated in front of the Ministry of Manpower. The demonstration prompted a government investigation into allegations that employers are violating the minimum wage regulations, ANGKATAN BERSENJATA says.

SUARA PEMBARUAN notes that most employers have proposed that the decree enforcement be postponed until April, citing the need for more time to adjust their payrolls, not only in connection with the wage hike but also for the annual "Lebaran" [festivities at the end of the fasting month] bonus in March. The paper also quotes Tangerang Regent Saifullah Abdulrahman who said that out of 870 companies in the region, at least 80 small and medium firms cannot afford to pay their workers a daily minimum wage of $2. Saifullah stated that some of the firms have even filed a protest to the Ministry of Manpower and have enclosed their financial statements. However, the paper continues, Manpower Minister Abdul Latief has stated that based on the outcome of a recent survey on cost structure, companies are in fact capable of and should be paying their workers more. Latief said that labor cost averages only 9.8 percent of total production cost, which is "too small." He also asserted that, according to the All-Indonesia Labor Union (SPSI), some companies in the shoe industry have spent only 2 percent of their total operational budget on labor. SPSI General Secretary Bomer Pasaribu attributes this "deplorable situation" to the fact that employers have always regarded wages as part of production cost, subject to reduction, and hence wages have always been suppressed.

Minister Latief warns businesses that more strikes will occur prior to Lebaran, unless employers become more responsive to workers' demand for better pay and better benefits, ANGKATAN BERSENJATA reports. The paper also quotes Aburizal Bakrie, chairman of the

Indonesian Chamber of Commerce and Industry, who called on all employers to willingly comply with the minimum wage regulation. Bakrie said that "workers are assets, not production tools," and that the minimum wage is set at "a low level so companies won't be burdened."

According to the 8 February KOMPAS, the government is determined to make companies comply with the minimum wage regulation. The paper says that President Suharto has ordered his cabinet ministers to make a list of the companies that violate the regulation and/or operate without a labor union, and to take the necessary steps against them. The president has stated that employers should not be concerned with profits only, but that they must also pay attention to the rights and welfare of workers, the paper reports. Mei Lie C. 733-6524

Central Bank Needs $400-Million 'Standby Loan'

The Bank of Indonesia (Central Bank) recently announced that Indonesia has tasked six international banks to come up with a $400-million "standby loan." The six banks include Banque Nationale de Paris, Bank of Tokyo in Hong Kong, Chase Manhattan Asia, Dresdner, Industrial Bank of Japan, and Long Term Credit Bank, Asia.

The seven-year loan will be signed in March, with a utility period of five years after the loan is signed. It will be repaid in five installments every six months, starting at the end of the first five years. The interest for the first two years is set at 0.75 percent above LIBOR (London Interbank Offered Rate), and in the third year, the interest will increase to 0.875 percent above LIBOR.

Former Finance Minister Frans Seda said the loan will only be used in the event the government is unable to pay for non-oil/gas imports, or as a safeguard for the balance of payments. (Jakarta KOMPAS 28 Jan 94 pp 1, 5) Mei Lie C. 733-6524

Government Discontinues 'Protection' of Steel Industry

Minister of Industry Tunky Ariwibowo recently announced that the government will no longer "protect" the national steel industry, even in the event of declining world steel prices. Ariwibowo said the decision is meant to force the national company P.T. Krakatau Steel to become more efficient and more competitive. This decision is also necessary to counteract a claim by the United States that Indonesia is dumping its steel in the international market, the minister said. (Jakarta KOMPAS 28 Jan 94 p 3) Mei Lie C. 733-6524

P.T. PAL To Shift Production Focus

A recent report issued by P.T. PAL, a state-owned shipyard in Surabaya, states that within two years, the company intends to stop producing small ships in the 900-4,200 dead weight ton (dwt) range, and will start building war ships and larger ships up to 40,000 dwt. The report does not specify what type of war ships P.T. PAL expects to produce, but the larger ships will include coal carriers, passenger ships, container carriers up to 2,700 twenty feet equivalent unit (teu), and oil tankers up to 30,000 dwt. (Jakarta KOMPAS 4 Feb 94 p 7) Mei Lie C. 733-6524

Increase in French Investments Reported

The Capital Investment Board recently reported that French investments in Indonesia in 1993 registered a total of $431 million, a 68.3-percent increase over the previous year. Most of the investments were in the chemical, electronic, and gas industries, and in the hotel, banking, and financial sectors. (Jakarta ANGKATAN BERSENJATA 21 Jan 94 p 3) Mei Lie C. 733-6524

Agriculture's Contribution to GDP Drops to 19 Percent

Agriculture Minister Syarifudin Baharsyah recently said that the agriculture sector's contribution to GDP has dropped to 19 percent, causing a loss of jobs in the sector and particularly in farming. Syarifudin expects the figure to continue to drop, down to as low as 15 percent eventually. (Jakarta ANTARA 1032 GMT 28 Feb 94) Bangkok Bureau/Mei Lie C. 733-6524

MALAYSIA

Contract for Asia Pacific Cable Network Signed

Nine Asian telecommunication companies have recently signed a $7.16-million contract with Fugro Survey Private Ltd. to study the region's optic fiber submarine cable system for the Asia Pacific Cable Network (APCN). The nine companies include Singapore Telecom, Telekom Malaysia Berhad, Communications Authority of Thailand, Hong Kong Telecom International Ltd., Indonesia's Indosat, Taiwan's International Telecommunication Development Corp., Japan's Kokusai Denshin Denwa Company Ltd., the Philippines' Long Distance Telephone Company, and Korea Telecom. The study is designed to find a safe and economically viable route for the APCN. Expected to be put into service in 1996, the APCN will comprise two submarine cable systems: the first system will connect Japan, Korea, Taiwan, Hong Kong, the Philippines, Malaysia, and Singapore, and the second will link Thailand, Malaysia, Singapore, and Indonesia. (Kuala Lumpur BERNAMA 0437 GMT 24 Feb 94) Bangkok Bureau/Mei Lie C. 733-6524

PHILIPPINES

Proposals for Satellite Project Reported

Transportation and Communication Undersecretary Josefina Lichauco recently stated that the Philippines has begun to receive proposals from various private consortiums for a project to launch its own satellite or to lease a satellite from another country. Lichauco stressed that the government will facilitate the project which will be under a government build-operate-transfer arrangement, with the consortiums financing and overseeing construction of the entire project. The consortiums will then be given the right to operate the project for a specified period in order to recoup their investments. The prospective satellite firm will be a 60-percent Filipino-owned public utility and the rest of the equity will be open to foreign partners.

To date, Manila has received proposals from Russia-based Global Information Systems, Malaysia's Measat, Thailand's Shinawatra group, and U.S.-based Rimsat. Other companies that have expressed an interest include Europe's Arianespace and Matra Marconi, Hong Kong's Asiasat, and U.S. companies such as Hughes Space and Communications, Martin Marietta, and Panamsat. (Manila BALITA 10 Feb 94 p 2, 11 Feb 94 p 3) Mei Lie C. 733-6524

SINGAPORE

'Largest' Petrochemical Investment Announced

A partnership of leading chemical firms from Europe, Japan, and the United States will invest over $1.875 billion in the second petrochemical complex on Ayer Merbau and Seraya islands. It will be the single largest foreign investment in Singapore. The project is expected to be completed in the second quarter of 1997 and will include Singapore companies such as the Petrochemical Corporation of Singapore, the Polyolefin Company, Denka Singapore, and Seraya Chemicals Singapore. (Singapore Singapore Broadcasting Corporation 1100 GMT 1 Mar 94) Bangkok Bureau/Mei Lie C. 733-6524

THAILAND

Rice Sale to North Korea Reported

Deputy Prime Minister Amnuai Wirawan said recently that Thailand will sell North Korea 50,000 tons of rice under a two-year credit plan. Thailand had previously agreed to sell 200,000 tons of rice, but North Korea has delayed issuing a letter of credit. To maintain the relationship, Thailand has decided to proceed with a lesser sale at this time. (Bangkok BANGKOK POST 23 Feb 94 p 20) Bangkok Bureau/George T. 733-6532

Cabinet Approves Soybean Import

The cabinet has approved the import of 98,000 tons of soybean, following the recommendation of the Soybean and Other Oil Crops Policy Committee. Some 5,000 tons will be imported from Laos and 10,000 tons from Cambodia. The imports must be completed by July and no imports are allowed during March or April. Current annual domestic demand for soybean is 1.2 million tons, while production is only about 400,000 tons. Thailand spends about $160 million annually on soybean imports. (Bangkok Radio Thailand Network 0000 GMT 2 Mar 94) Bangkok Bureau/George T. 733-6532

VIETNAM

FEATURE: Losses in Rice Export Earnings Reported

A Hanoi press report notes that Vietnamese rice dealers suffered losses of about $2 million in rice export earnings in October 1993, mainly because of a shortage of funds and stiff competition among the dealers. The same report shows that Vietnam currently ranks third among world rice exporters and points out the need for changes in the State's management of rice export.

According to a 22 August 1993 Hanoi VNA report, between 1989 and 1992, Vietnam exported 5.76 million metric tons of rice worth over $1 billion. The 5 January THOI BAO KINH TE VIET NAM notes that in the last three years, the country has exported a yearly

average of about 1.7 million metric tons of rice, which brought in revenues that are second only to earnings from crude oil export. The 6-12 January TUAN BAO QUOC TE points out that although Vietnam currently ranks third among world rice exporters, rice dealers have registered losses of about $2 million in October 1993, in exporting more than 100,000 metric tons of rice.

TUAN BAO QUOC TE (TBQT) suggests that one of the main reasons for the losses in rice export earnings is the stiff competition between rice dealers, resulting in rising domestic purchase prices and falling export prices. Another reason cited by the newspaper is "poor management" by the State. Despite a government directive to reduce the number of principal rice exporters to 17, there were still over 40 exporters in November 1993, since any firm with a contract listing prices commensurate with government prices could obtain an export permit, including those who did not have storage space or processing mills.

TBQT also cites the shortage of funds used to buy rice as a problem. Some $200 million were actually required to purchase rice in the Mekong River delta, but the largest amount received was only $740,000 and the smallest $45,000, while small enterprises received only 10 percent of the funds needed. According to TBQT, few firms want to sign big contracts and take out loans to buy rice for export ahead of time, but they will rush out to make rice purchases only when customers offer letters of credit and ships start to come in.

TBQT reports that Vietnamese rice export increased from 1.42 million metric tons in 1989 to 1.95 million metric tons in 1992, and totaled 1.7 million metric tons in 1993. The number of countries who have signed purchase contracts with Vietnam has also increased from 24 in 1992 to 50 in 1993. The quality of the exported rice is reportedly improving each year, with an increasingly smaller percentage of broken rice. Currently, prices for Vietnamese rice are $50-$60 less per metric ton than Thai rice of the same quality.

TBQT concludes that to achieve success in rice export, the State needs to improve its management system, strengthen the Union of Grain Exporters, and give rice exporters regular guidance on domestic and international trade regulations in order to avoid the kind of losses experienced in the last quarter of 1993. Cecilia G. 733-6530

Government To Approve Foreign Construction of Infrastructure Projects

The Vietnamese Government will reportedly prepare legislation to implement a system whereby foreign companies will undertake the construction of infrastructural projects on a turnkey, or "build, operate, and transfer" (BOT) basis. This "BOT-style" system involves entrusting all matters concerning infrastructural projects to foreign companies, from financing to construction and actual operation. The government has "great expectations" for this system, since it will not have to provide financing and because foreign firms will contribute management and other knowhow to Vietnam. China and Southeast Asian countries have successfully used the BOT system to build power-generating facilities and highways.

In the first half of March, the Vietnam State Committee for Cooperation and Investment (SCCI) plans to hold a "forum on BOT-style investment" in Hanoi for foreign financial organs and development companies. At that time the SCCI will announce regulations concerning BOT bidding and contracting.

However, there have been "many problems" with the BOT system involving contracts let by government agencies and the companies signing them, as exemplified by the recent withdrawal of Japanese companies from an expressway construction project in Thailand. In Vietnam's case,

there probably will be difficulties over the long term in collecting fees from completed generating plants, highways, and bridges. And even if some financing consortiums are formed, they will adopt a "cautious stance" regarding involvement in Vietnam. It appears that initially, banks controlled by overseas Chinese and French banks will be the main participants in financing consortiums. (Tokyo NIKKEI KINYU SHIMBUN 24 Feb 94 p 2) Barry B. 733-6520

Government To Develop 'Core' Groups of State Enterprises

According to an article in the 19 February NIHON KEIZAI SHIMBUN by Makoto Suzuki, the paper's Hanoi correspondent, the Vietnamese Government has decided to make the development of "core enterprise groups" from among major state enterprises a "pillar" of its economic restructuring program. Although the government has been making efforts to nurture private companies as part of its economic reform measures, private companies still remain "weak." Thus, the government's plan is to use selected "core" state enterprises as "locomotives" of economic growth.

As soon as possible, a list of candidate firms from among enterprises currently under the control of government agencies will be presented to Prime Minister Vo Van Khiet. Then a "limited number" of core groups will be established--more will be designated later--and they will be removed from the control of ministries and agencies, "placed directly under the government," run "experimentally," and gradually will be expanded.

Suzuki writes that as explained by Le Xuan Trinh, minister and director of the Government Office, these core enterprises will be developed into "powerful" groups with capital levels of "several trillion" dong (several hundred million dollars). Also, each group will have "several dozen umbrella companies" under it. According to Trinh, companies under the Energy Ministry and the postal and communications authorities "will be the first" to be transferred.

Reorganizing state enterprises is one of the government's basic policy goals, Suzuki notes, along with privatization and reorganizing loss-making enterprises. In this process, developing core enterprise groups appears to be a "precise" policy of selectively developing "superior" state enterprises. Barry B. 733-6520

Banking Association To Include Domestic, Foreign Banks

Vietnam will establish a Banking Association by mid-1994 that is expected to bring together various domestic financial institutions as well as foreign banks operating in Vietnam. The government intends to use their views in modernizing Vietnam's financial system.

There are four types of financial institutions in Vietnam, in addition to Vietnam's State Bank--state-owned commercial banks, private joint-venture banks, credit cooperatives, and finance companies (nonbanks). There are "more than 20 large and medium-size" state-owned commercial banks and private joint-venture banks. About 40 domestic financial organizations intend to join the association. As for foreign banks, there are more than 30 operating in Vietnam through branches, joint ventures, or resident offices.

Among Japanese banks, Tokyo and Sakura Banks, which already have resident offices in Ho Chi Minh City, are expected to join the new association. Also, it is anticipated that American banks will quickly enter Vietnam now that the economic embargo has been lifted. However, since foreign banks are "uneasy" about doing business in Vietnam because of the country's undeveloped financial markets, Japanese and other foreign banks hope to use the Banking

Association to propose ways the Vietnamese Government might regulate the industry. (Tokyo NIKKEI KINYU SHIMBUN 22 Feb 94 p 2) Barry B. 733-6520

Finance Ministry Personnel To Study Japan's Securities Industry

In June, Nikko Securities, one of Japan's "big four" securities companies, will invite 15 employees of Vietnam's Finance Ministry to study Japan's stock exchange regulatory system. Ten members of the group will be regular ministry employees and five are students that will be joining the ministry. During their month-long stay, the group will visit the Tokyo Stock Exchange, the Ministry of Finance, securities firms, and listed companies to study market regulations, regulation of securities sales, and market settlement issues.

Victnam is planning to establish a stock exchange in Ho Chi Minh City, but whether the exchange will actually be opened this year, given delays in preparing its regulatory systems and slowness in issuing stock of government-owned companies, has become a "delicate" issue.

Anticipating that American investment banks will begin operations in Vietnam with the lifting of economic sanctions, Japanese securities firms and banks "are quickly establishing close personal ties [jimmyaku] with the Vietnamese Government so as not to lag behind." (Tokyo NIHON KEIZAI SHIMBUN 21 Feb 94 p 8) Barry B. 733-6520

Joint Venture With French, Chinese Firms To Produce Nylon Cords

The Hanoi Industrial Textile Factory, France's Rhone-Poulenc Chimie, and China's Heavenly Horse Tire Fabric Company have formed the Thang Long Nylon Company, a 20-year joint venture in Hanoi to manufacture nylon cords for bicycle and motor vehicle tires. The new venture was licensed in mid-December 1993, with an investment capital of $4.76 million. Prescribed capital is $3.33 million, of which the Vietnamese company is contributing 34 percent while the other two partners are contributing 33 percent each. (Hanoi NHAN DAN 1 Jan 94 p 6) Cecilia G. 733-6530

Jewelry Joint Venture Formed With Japanese Company

The Vietnamese Gemstone Company (Vinagemco) and Japan's Kotobuki Holdings Company Ltd. have formed Vijagem, a 30-year joint venture in Hanoi to process gemstones and to make and sell jewelry. The new venture was licensed in October 1993 and is capitalized at $2 million. Prescribed capital is also $2 million, of which the Japanese company is contributing 70 percent. (Hanoi QUAN DOI NHAN DAN 3 Jan 94 p 4) Cecilia G. 733-6530

Joint Venture With Philippine Firm To Build Commercial Complex

The Merchant Marine Center (under the Vietnam Maritime Department) and the Philippines' Imex Pan-Pacific have formed the Hanoi Marine Commercial Center, a 30-year joint venture in Hanoi to build a commercial complex--containing a hotel and offices--and to provide merchant marine services. The new venture was licensed in late October 1993, with an investment capital of $12 million. Prescribed capital is $6.02 million, of which the Philippine company is contributing 51 percent. (Hanoi NHAN DAN 4 Jan 94 p 4) Cecilia G. 733-6530

Joint Venture With Singaporean Company To Provide Hotel Services

The Vietnam Tourism Company in Ho Chi Minh City and Singapore's Koh Brothers Building & Civil Engineering Contractor Pte., Ltd. have formed Vina Viet-Sinh Ltd., a 15-year joint

venture in Ho Chi Minh City to provide hotel services. The new venture was licensed in October 1993, with a listed investment capital of $3.2 million. Prescribed capital is $2.4 million, of which the Singaporean firm is contributing 70 percent. (Hanoi NHAN DAN 3 Jan 94 p 2) Cecilia G. 733-6530

Joint Venture With Malaysian Firm To Produce Glass Containers

The Khanh Hoi Glass Factory in Ho Chi Minh City and Malaysia's Malaya Glass Berhad have formed Malaya-Vietnam Glass Ltd., a 30-year joint venture in Ho Chi Minh City to produce glass containers for domestic consumption and export. The new venture was licensed in late October 1993, with an investment capital of $22 million. Prescribed capital is $15.47 million, of which the Malaysian firm is contributing 70 percent. (Hanoi NHAN DAN 8 Jan 94 p 6) Cecilia G. 733-6530

Decrease in Coal Export Noted

Coal export in 1993 totaled nearly 1.25 million metric tons, about 350,000 metric tons less than in 1992. Competition among various units brought down prices by 5 to 7 percent compared with 1992. Coal's export value has also decreased by nearly $20 million. (Hanoi THOI BAO KINH TE VIETNAM 23-29 Dec 93 p 5) Cecilia G. 733-6530

Singapore's Liang Court Holdings To Invest in Apartment Complex

Peregrine Capital Vietnam Ltd. and Singapore's Liang Court Holdings plan to build a $30-million, 150-unit apartment complex in Ho Chi Minh City. Liang Court owns 60 percent of the project and the Vietnamese firm the remainder. (Singapore BUSINESS TIMES 21 Feb 94 p 18) Bangkok Bureau/Mei Lie C. 733-6524

Hanoi Launches First Paging Service

Hanoi Post and Telecommunications recently launched its first paging service, with technical assistance from Hong Kong's ABC Communication (Holding) Ltd. The service has numeric or alpha-numeric pagers capable of storing up to 98 messages and 280 characters and receiving messages in Chinese characters as well as in the Roman alphabet. The Hanoi paging center has 170 subscribers and charges a monthly fee of $8. The subscription fee for Ho Chi Minh City is $10 a month. (Hanoi VNA 0555 GMT 19 Feb 94) Bangkok Bureau/Ceciia G. 733-6530

Hong Kong Firm To Invest in Da Lat Infrastructure

Hong Kong's Strategic Development International Corporation will invest in a $150-million project to improve Da Lat's infrastructure, including roads and power and water supplies. (Hanoi VNA 0648 GMT 21 Feb 94) Bangkok Bureau/Cecilia G. 733-6530

PetroVietnam To Increase Production

The Vietnam Oil and Gas Corporation, PetroVietnam, expects to produce 7.1 million tons of crude oil this year, up by 300,000 tons from the previous year. The increase is attributed to an estimated 6.7 million-ton yield from the Bach Ho oil field and a 0.3 million-ton output from the Rong and Dai Hung fields. (Hanoi Voice of Vietnam 1000 GMT 22 Feb 94) Bangkok Bureau/Cecilia G. 733-6530

Government To Increase Cement Production

Six ministries and 21 provinces are committed to increase cement production using vertical furnaces. Nearly 35 feasibility studies to upgrade or build new furnaces at a total investment of $670,000 have been done. Experts estimate that these vertical furnaces will produce 650,000 tons of cement this year and 2.5 million tons in 1996. (Hanoi VNA 1444 GMT 19 Feb 94) Bangkok Bureau/Cecilia G. 733-6530

Peanut Exports Put Vietnam Third Among Exporting Countries

Vietnam exported about 150,000 tons of peanuts last year, ranking third among peanut exporting countries. This year Vietnam expects to produce 275,000 tons of peanuts, including 200,000 tons for export. (Hanoi VNA 0611 GMT 1 Mar 94) Bangkok Bureau/Cecilia G. 733-6530

First Phase of Hoa Binh Hydroelectric Plant Completed

A 670-ton rotor was recently installed at the Hoa Binh Hydroelectric Power Plant, marking the end of the first phase of the plant's construction, which has taken over 10 years. The rotor will increase the plant's output to 1,920 mw, as planned. (Hanoi Voice of Vietnam Network 1100 GMT 25 Feb 94) Bangkok Bureau/Cecilia G. 733-6530

Rice Joint Venture Accord With Hong Kong Company Signed

Long An, Tien Giang, Dong Thap, and An Giang Provinces have recently signed a 50-year joint-venture agreement with a Hong Kong company to produce and process rice. The $10-million project includes the planting of special rice varieties on 30,000 hectares in southern Vietnam, and the construction of a processing mill with an annual capacity of 90,000 tons. (Hanoi Voice of Vietnam 1000 GMT 2 Mar 94) Bangkok Bureau/Cecilia G. 733-6530

Construction of Sulfuric Acid Factory Reported

Construction of a sulfuric acid factory--a joint venture between Indonesia's Unggul Indah Corporation (UIC) and Vietnam Company Ltd.--in Dong Nai Province has begun. The $7.5-million, UIC-funded factory will have an annual capacity to produce 30,000 tons of dodecyl benzene sulfuric acid, the primary ingredient in soap powders and laundry detergents. The factory will begin operating in September and will provide jobs for 100 workers. (Hanoi VNA 1404 GMT 26 Feb 94) Bangkok Bureau/Cecilia G. 733-6530

Vietnam Airlines Leases Two Airbus Jets From Air France

Vietnam Airlines will lease two Airbus A320 passenger jets from Air France to meet an expected 40-percent rise in passengers over the next few years. The two jets will bring the total of Airbus and Boeing aircraft leased by the airline to seven. Vietnam Airlines has been replacing its aging fleet of 20 Soviet-built planes with more modern jets. (Hanoi Voice of Vietnam 1000 GMT 26 Feb 94) Bangkok Bureau/Cecilia G. 733-6530